

Texas Prepaid
Higher Education
Tuition Program

Texas Comptroller
Glenn Hegar, Chair

2020 ANNUAL REPORT



2020

ANNUAL REPORT

Texas Prepaid Higher Education Tuition Program
Texas Comptroller Glenn Hegar, Chair



TEXAS TUITION
PROMISE FUNDSM

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TEXAS GUARANTEED TUITION PLAN



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Texas Tomorrow Fund
Texas Prepaid Scholarship Foundation

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PROGRAM SUMMARY



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CUMULATIVE ENROLLMENT DATA FOR THE TEXAS GUARANTEED TUITION PLAN, 1996-2003

The *Texas Guaranteed Tuition Plan* opened for enrollment in 1996. It was closed to new enrollment in June 2003. A total of 34,629 of the 158,442 contracts sold were active at August 31, 2020.

CONTRACT SUMMARY

Type of College Plan Purchased

The senior college plan is the most popular tuition plan purchased, consisting of more than 84 percent of the contracts.

Senior College Plan	133,704	84.38%
Junior-Senior College Plan	14,935	9.43%
Junior College Plan	6,721	4.24%
Private College Plan	3,082	1.95%
Total	158,442	100.00%

Payment Option Selected

The payment option chosen most often is monthly until matriculation at 34 percent, followed by lump sum at 28 percent.

Monthly Until Matriculation	54,485	34.39%
Lump Sum	44,806	28.28%
Monthly for Ten Years	22,332	14.09%
Monthly for Five Years	20,338	12.84%
Annual Payments	16,481	10.40%
Total	158,442	100.00%

Monthly Payment Method Selected

The most popular monthly payment method selected is the coupon booklet at 54 percent, followed by lump sum payments at 28 percent.

Coupon Booklet	84,864	53.56%
Lump Sum Payments	44,806	28.28%
Automatic Bank Draft	12,291	7.76%
Annual Payments	16,481	10.40%
Total	158,442	100.00%

Age or Grade Level of Beneficiary

Newborns and children under one year of age represent the largest groups for whom contracts have been purchased at nearly 18 percent.

Newborn	13,903	8.78%
0 Year	14,488	9.14%
1 Year	9,846	6.21%
2 Years	8,651	5.46%
3 Years	8,215	5.18%
4 Years	8,494	5.36%
Kindergarten	10,056	6.35%
First Grade	9,762	6.16%
Second Grade	10,318	6.51%
Third Grade	9,656	6.09%
Fourth Grade	9,692	6.12%
Fifth Grade	9,787	6.18%
Sixth Grade	9,293	5.87%
Seventh Grade	8,497	5.36%
Eighth Grade	7,003	4.42%
Ninth Grade	5,035	3.18%
Tenth Grade	3,011	1.90%
Eleventh Grade	1,720	1.09%
Twelfth Grade	1,015	0.64%
Total	158,442	100.00%

Beneficiary's Relationship to Purchaser

78 percent of contracts are purchased by the parents of the child, followed by grandparents at 10 percent.

Child	124,219	78.39%
Grandchild	16,075	10.15%
Other	2,910	1.84%
Great Grandchild	399	0.25%
Not Reported by Purchaser	14,839	9.37%
Total	158,442	100.00%

Counties with Largest Volume of Contracts

The largest number of contracts (14 percent) is purchased in Harris County.

Harris	23,327	14.72%
Dallas	14,252	9.00%
Travis	11,509	7.26%
Tarrant	10,543	6.65%
Bexar	10,149	6.41%
Collin	8,037	5.07%
Denton	4,924	3.11%
Total	82,741	52.22%

OPTIONAL INFORMATION AS PROVIDED BY THE PURCHASER

At the time the applications were submitted between 1996 and 2003, the following information was requested on a voluntary basis. “Not Reported by Purchaser” indicates that the Purchaser chose not to report the information.

Annual Family Household Income

Families with incomes from \$50,000 to \$75,000 purchased the largest single volume of contracts by income group at 18 percent. Families with incomes from less than \$20,000 up to \$50,000 purchased nearly 17 percent of the contracts. Some 38 percent of respondents did not elect to report family income.

Less than \$20,000	2,068	1.31%
\$20,000 to \$29,999	5,003	3.16%
\$30,000 to \$39,999	8,141	5.14%
\$40,000 to \$49,999	10,958	6.92%
\$50,000 to \$74,999	28,478	17.97%
\$75,000 to \$100,000	25,423	16.05%
Over \$100,000	18,765	11.84%
Not Reported by Purchaser	59,606	37.61%
Total	158,442	100.00%

Beneficiary's Ethnicity

A total of 81,766 (52 percent) of the beneficiaries are Anglo.

Anglo	81,766	51.61%
Hispanic	16,036	10.12%
African-American	5,100	3.22%
Asian-American	4,248	2.68%
Other	3,589	2.27%
Native-American	1,035	0.65%
Not Reported by Purchaser	46,668	29.45%
Total	158,442	100.00%

Education Level of Purchaser

Nearly 29 percent of those that reported information related to education levels had a bachelor's degree, 13 percent had a master's degree and 13% had a high school diploma.

Bachelor's Degree	44,848	28.31%
Master's Degree	20,569	12.98%
High School Graduate	19,834	12.52%
Associate Degree	10,375	6.55%
Other	3,596	2.27%
Doctorate Degree	9,191	5.80%
Not Reported by Purchaser	50,029	31.57%
Total	158,442	100.00%

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CUMULATIVE ENROLLMENT DATA FOR THE TEXAS TUITION PROMISE FUND®

The Texas Tuition Promise Fund®, the state's newest prepaid tuition plan, opened for enrollment in 2008. The plan is open for enrollment annually between September 1 and February 28/29. There were a total of 38,480 active contracts as of August 31, 2020.

CONTRACT SUMMARY

Type of College Plan Purchased

Type I units are the most popular type plan. Type I units pay tuition and required fees at up to the most expensive Texas public 4-year college or university. Type II units pay the weighted average tuition and required fees at Texas public 4-year colleges and universities. Type III units pay the weighted average tuition and required fees at Texas public 2-year colleges.

Type I Units	23,326	61%
Type II Units	12,557	33%
Type III Units	2,597	6%
Total	38,480	100%

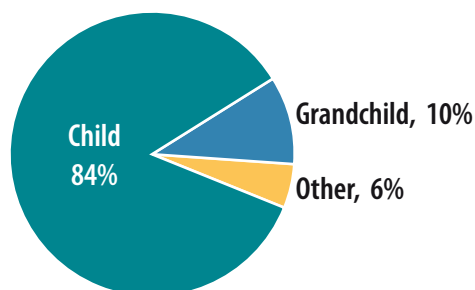
Payment Option Selected

The Pay-As-You-Go payment option is chosen most often. The Pay-As-You-Go payment option allows individuals to pay as much as they like, whenever they like after establishing an account with a minimum of one unit and subsequent payment amounts of at least \$15 each.

Lump Sum	10,246	27%
Installment	10,666	28%
Pay-As-You-Go	17,568	45%
Total	38,480	100%

Beneficiary's Relationship to Purchaser

The majority of the contracts are bought for the purchaser's child.



Age of Beneficiary

The majority of contracts were purchased for beneficiaries less than 1 year of age.

Less Than 1 Year	7,537	20%
1 Year	2,523	6%
2 Years	2,329	6%
3 Years	2,324	6%
4 Years	2,358	6%
5 Years	2,357	6%
6 Years	2,234	6%
7 Years	2,341	6%
8 Years	2,292	6%
9 Years	2,202	6%
10 Years	2,052	5%
11 Years	2,110	5%
12 Years	1,802	5%
13 Years	1,544	4%
14 Years	1,178	3%
15 Years	631	2%
16 Years	236	1%
17 Years	60	0%
18 Years	12	0%
Over 18 Years	4	0%
Undesignated	354	1%
Total	38,480	100.0%

Counties with Largest Volume of Contracts

The top ten counties purchasing contracts are listed below. Sales of contracts in those counties represents 62% of the contracts sold.

Harris	5,013	13%
Travis	3,474	9%
Collin	3,166	8%
Dallas	2,521	7%
Tarrant	2,135	6%
Fort Bend	2,075	5%
Bexar	1,676	4%
Williamson	1,590	4%
Denton	1,390	4%
Montgomery	802	2%
All Other	14,638	38%
Total	38,480	100.0%

OPTIONAL INFORMATION AS PROVIDED BY THE PURCHASER

At the time the applications are submitted, purchasers are asked to provide the following information on a voluntary basis. Not Reported by Purchaser indicates that the purchaser did not report the information.

Annual Family Household Income

Under \$50,000	4%
\$50,001-\$75,000	10%
\$75,001-\$100,000	18%
Over \$100,000	56%
Not Reported by Purchaser	12%
Total	100.0%

Beneficiary's Ethnicity

African-American	3%
Asian	15%
Anglo	54%
Hispanic	13%
Native-American	—
Other	4%
Not Reported by Purchaser	11%
Total	100.0%

Education Level of Purchaser

High School Graduate	2%
Some College	6%
Associate Degree	4%
Bachelor's Degree	38%
Master's Degree	29%
Doctorate	11%
Not Reported by Purchaser	10%
Total	100.0%

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**Texas Prepaid Higher Education
Tuition Board (315)**

Annual Report

For the Fiscal Year Ended August 31, 2020

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Texas Prepaid Higher Education Tuition Board (315)

Annual Report

For the Fiscal Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT



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RSM US LLP

Independent Auditor's Report

To the Texas Prepaid Higher Education Tuition Board

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities, the aggregate discretely presented component units, each major enterprise fund and the aggregate remaining fund information of the Texas Prepaid Higher Education Tuition Board (the Board), an agency of the State of Texas, as of and for the fiscal year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Texas Tuition Promise Fund®, which represents 79.00% and 111.20%, respectively, of the assets and revenues of the business-type activities and the major enterprise funds and the Texas ABLE® Program, which represents 0.61% and 1.20%, respectively, of the assets and revenues of the aggregate remaining fund information of the Board as of and for the fiscal year ended August 31, 2020. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and, our opinion, insofar as it relates to the amounts included for the Texas Tuition Promise Fund® and the Texas ABLE® Program are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major enterprise fund and the aggregate remaining fund information of the Board as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 20 to the financial statements, the Texas Guaranteed Tuition Plan has a deficit net position. The Texas Guaranteed Tuition Plan is backed by a constitutionally guaranteed trust fund and the full faith and credit of the State of Texas; thus, guaranteeing payment of tuition and required fee benefits at colleges and universities in which a plan beneficiary enrolls up to the number of hours available on the contract.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Program Summary, the Texas Guaranteed Tuition Plan, Actuary's Report on Program Soundness; the Texas Tuition Promise Fund®, Actuary's Report on Program Soundness; and the Texas Guaranteed Tuition Plan Fund Investment Information are presented for purposes of additional analysis and are not a required part of the financial statements.

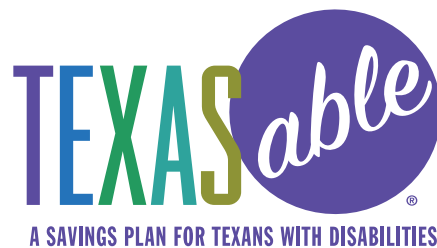
The Program Summary, the Texas Guaranteed Tuition Plan, Actuary's Report on Program Soundness; the Texas Tuition Promise Fund®, Actuary's Report on Program Soundness; and the Texas Guaranteed Tuition Plan Fund Investment Information have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Austin, Texas
December 17, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS



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Texas Prepaid Higher Education Tuition Board (315)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

This section of the Texas Prepaid Higher Education Tuition Board's (the "Board" or "Agency") annual financial report presents a discussion and analysis of the Agency's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the Agency's financial statements. The Board administers the Texas Guaranteed Tuition Plan ("TGTP"), the Texas Tuition Promise Fund® ("TTPF"), the Texas Prepaid Tuition Scholarship Foundation, the Texas College Savings Plan®, the LoneStar 529 Plan®, and the Texas Achieving a Better Life Experience Program ("Texas ABLE® Program"). The Board also administers the Texas Save and Match Program in cooperation with the Texas Match the Promise FoundationSM.

Financial Highlights of the Texas Guaranteed Tuition Plan

Net Position of the *Texas Guaranteed Tuition Plan* decreased by over \$67.3 million in fiscal 2020.

Financial highlights include:

- Payment of participants' benefits to colleges and universities of \$129,751,156.17
- Net investment income of \$6,912,401.34
- Contract receipts of \$3,255,604.14
- Refunds of Contract Principal of \$23,817,995.62
- Earnings paid on refunds of \$29,762,074.07
- Operating expenses of \$1,915,584.12
- Net negative change in actuarial assumptions of contract collections and future contract benefits of \$111,716,984.00

The *Texas Guaranteed Tuition Plan* opened for enrollment in 1996 and plan benefits are guaranteed by the full faith and credit of the State of Texas (the "State"). The plan closed for new enrollment in 2003 when tuition was deregulated; however, there were 34,629 active contracts as of August 31, 2020. The fund's unfunded liability at August 31, 2019, was (\$416,095,145.13) compared to (\$483,378,261.51) at August 31, 2020, an increase in the unfunded liability of \$(67,283,116.38). This was an unfavorable variance when compared to the expected unfunded liability at August 31, 2020 of (\$426,922,235.00), due to a change in the investment return assumptions for future years and lower than expected withdrawals and matriculations levels.

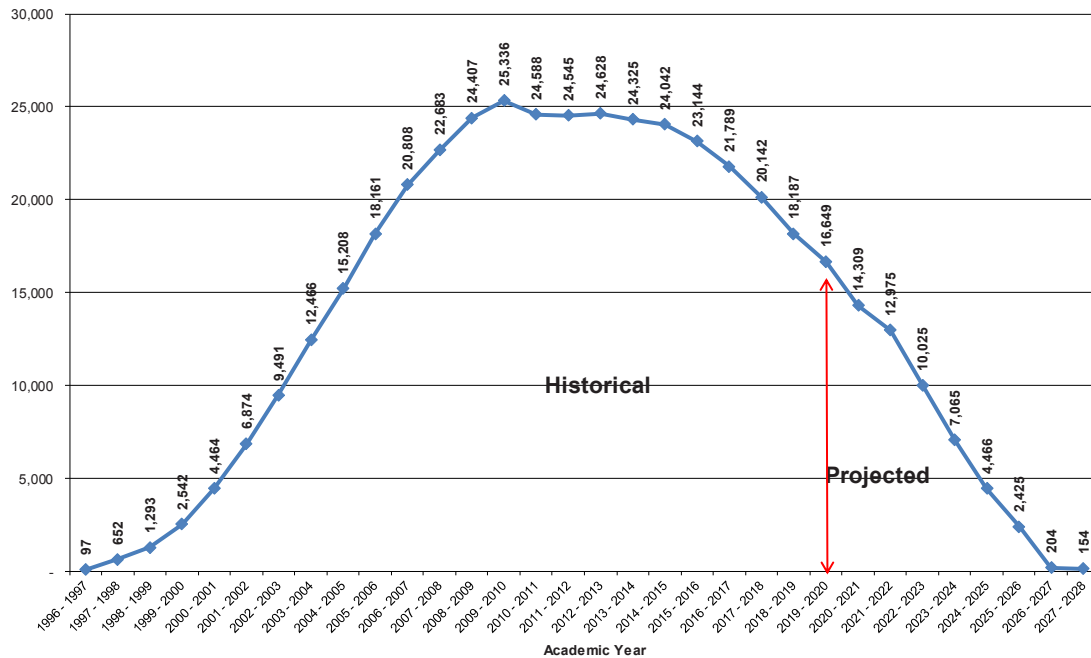
The Plan's funded ratio, which is the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present value of expected future tuition and school-wide required fees, refunds and other expenses, decreased to 38.3%. The Plan's actuary projects that the Plan will have depleted all cash and investments available to pay contract benefits in 2022, long before the final Plan benefits are estimated to be paid in year 2039. Since the plan is closed to new enrollment, the number of plan beneficiaries using the plan will continue to decrease after peaking in 2009-2010.

Texas Prepaid Higher Education Tuition Board (315)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

Number of Students Using Texas Guaranteed Tuition Plan Benefits by Academic Year*



*Academic Years 2020-2028 are projected based on the projected high school graduation dates of beneficiaries. The plan's actuary projects that all accounts will be depleted by the year 2039.

Financial Highlights of the Texas Tuition Promise Fund®

The State's prepaid tuition plan, the *Texas Tuition Promise Fund* opened for enrollment in 2008. The fund is not guaranteed by the State of Texas. Through August 31, 2020, the *Texas Tuition Promise Fund* had 38,480 active contracts at a value of over \$728.4 million. Receipts from purchasers in fiscal 2020 totaled over \$49.5 million. Because contracts are subject to a three-year holding period before any contract benefits can be paid to schools, the 2019-2020 academic year marked the eighth year benefits were paid from the plan. The Plan's funded ratio, which is the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present value of expected future tuition and school-wide required fees, refunds and other expenses, is 121.1%.

Financial Highlights of the College Savings Plans

Net position of the Board's 529 college saving plans, the direct-sold *Texas College Savings Plan*® and the advisor-sold *LoneStar 529 Plan*®, increased from \$749,913,242.29 at August 31, 2019, to \$858,472,896.24 at August 31, 2020, an increase of \$108.6 million. The increase was due to an increase in the number of account owners from 43,860 at August 31, 2019, to 45,457 at August 31, 2020, which resulted in increased net contributions to savings accounts and positive returns on investments. Financial highlights include:

- Contributions from investors of \$274,452,410.86
- Distributions from investor accounts of \$258,050,538.58
- Net income from investing activities of \$92,169,547.34

Texas Prepaid Higher Education Tuition Board (315)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

Financial Highlights of the ABLE Program

Net position of the Board's *Texas ABLE® Program*, increased from \$2,196,150.69 at August 31, 2019, to \$5,295,561.43 at August 31, 2020, an increase of \$3.1 million. The increase was due to an increase in the number of account owners from 723 at August 31, 2019, to 859 at August 31, 2020, which resulted in increased net contributions to savings accounts and positive returns on investments. Financial highlights include:

- Contributions from investors of \$4,282,056.90
- Distributions from investor accounts of \$1,458,947.55
- Net income from investing activities of \$286,559.65

Financial Highlights of Discretely Presented Component Units

Texas Prepaid Tuition Scholarship Foundation

The *Texas Prepaid Tuition Scholarship Foundation* recognizes as an asset and liability the value of contracts owned by the foundation in the *Texas Guaranteed Tuition Plan* that were awarded as scholarships. As of August 31, 2020, the value of the remaining contracts totaled \$43,320.32. One scholarship contract remains active with total hours available for distribution of 128.

Per statute, *Texas Guaranteed Tuition Plan* accounts terminate on the tenth anniversary of the date the account beneficiary is projected to graduate from high school, not counting time spent by the beneficiary as an active duty member of the United States armed services. Any refund for terminated hours is returned to the foundation as the owner of the scholarship accounts. Of the eight scholarship accounts awarded by the foundation, each for 128 hours, a total of 309.754 hours have been cancelled for accounts that reached the tenth anniversary deadline. A total of \$27,194.12 has been returned to the foundation for terminated contracts.

In May of 2018, the 86th Legislature passed Senate Bill 1734 that authorized the Comptroller to dissolve the Texas Prepaid Tuition Scholarship Foundation, if the Comptroller determines that the foundation has substantially completed its purpose. In dissolving the Foundation, the Comptroller will transfer title to all funds and properties then owned by the foundation to the Texas Match the Promise Foundation.

Texas Match the Promise FoundationSM

The *Texas Match the Promise Foundation*, a 501(c)(3) federal tax-exempt public charity eligible to receive tax deductible donations, was established in fiscal 2009. Individuals and companies can make donations to the foundation to be used to encourage families to save for college by providing matching scholarships and tuition grants for participants in the *Texas Tuition Promise Fund*. Donations provide matching scholarships to students with demonstrated needs. During fiscal 2020, the foundation received over \$100,000 in donations from donors contributing a portion of their unclaimed property receipts to the foundation to be used for scholarships. The foundation purchased an additional 1,049 Type I tuition units in the *Texas Tuition Promise Fund* in fiscal 2020 totaling \$155,042.20. As of August 31, 2020, the foundation owned 8,692 *Texas Tuition Promise Fund* Type I tuition units at a cost of \$1,122,702.54. These units are recognized as assets in the foundation's Statement of Net Position. In March 2020, the foundation awarded its eighth round of scholarships. A total of fifty-four Texas schoolchildren received matching *Texas Tuition Promise Fund* tuition units worth up to \$1,500 and ten of the top-ranking applicants were recognized with an additional scholarship grant of tuition units worth \$3,000 at 2019-2020 *Texas Tuition Promise Fund* enrollment prices. To date, 487 scholarships have been awarded totaling \$687,983.56.

Overview of the Financial Statements

The annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and *statements* for major enterprise funds. The basic financial statements include *government-wide* financial statements, *fund* financial statements, and *notes* to the financial statements.

Texas Prepaid Higher Education Tuition Board (315)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

Government-Wide Financial Statements

Government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) present an overall picture of the financial position of the Agency. These statements provide both long-term and short-term information about the Agency using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Agency's net position and how the net position increased or decreased during the fiscal year. Net position is the difference between the Agency's assets and liabilities and represents one way to measure the Agency's financial health or position.

The government-wide financial statements of the Agency are divided into two categories:

- *Business-Type Activities* – This includes activities for which a fee is charged to customers to pay most or all of the cost of services. Financial activity for the TGTP and the TTPF is reported as an enterprise fund.
- *Component Units* – This includes activities of legally separate entities for which the Agency is either financially accountable or the nature and significance of their relationship with the Agency is such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Agency has two discretely presented component units. Financial information for these entities is presented separately in the supplemental statements and in the notes.

Fund Financial Statements

Fund financial statements provide more detailed information on the Agency's most significant funds. They use a format that is more familiar to experienced users of governmental financial statements. A fund is a separate accounting entity with a self-balancing set of accounts. Governmental entities use funds to keep track of sources of funding and spending related to separate activities.

The Agency has two kinds of funds:

Proprietary Funds – When a government charges for services it provides to customers, these activities are generally reported in proprietary funds. Services provided to outside (non-governmental) customers are reported in enterprise funds, which are a type of proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The financial activity of the TGTP and TTPF is reported as a proprietary fund, as the State is holding funds that will later be used to support the State's own programs to pay future tuition and required fees in return for the contracts that are purchased.

A constitutional amendment passed by Texas voters in November 1997 guarantees TGTP benefits to be paid to colleges and universities on behalf of beneficiaries of the plan as follows:

If in any fiscal year there is not enough money in the Texas Tomorrow Fund to pay the tuition and required fees of an institution of higher education in which a beneficiary enrolls or the appropriate portion of the tuition and required fees of a private or independent institution of higher education in which a beneficiary enrolls as provided by a prepaid tuition contract, there is appropriated out of the first money coming into the state treasury in each fiscal year not otherwise appropriated by the constitution the amount that is sufficient to pay the applicable amount of tuition and required fees of the institution.

Benefits of the TTPF are not guaranteed by the State; however, Texas public colleges and universities are required to accept the plan as payment of tuition and required fees in full for plan beneficiaries for the applicable number of hours covered. The transfer value of the plan is paid to Texas private colleges and universities, career schools, medical and dental institutions, and out-of-state schools. Transfer value is the lesser of (1) the costs the unit would

Texas Prepaid Higher Education Tuition Board (315)

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

cover at a public in-state college or university, or (2) the original purchase price of the unit plus or minus the plan's net investment earnings or losses on that amount.

Fiduciary Funds – The Agency is the trustee, or fiduciary, for the direct-sold *Texas College Savings Plan* and the advisor-sold *LoneStar 529 Plan*, the State's 529 college savings plans and the *Texas ABLE Program*, the State's 529A savings plan for individuals with disabilities. The college savings plan was first offered by the Board in September 2002 and the *Texas ABLE Program* opened to new enrollment in May 2018. All these funds are reported as private purpose trust funds because these are fiduciary funds. The State does not guarantee the programs. All governmental fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The fiduciary activities are excluded from government-wide financial statements because a government cannot use these assets to finance its operations.

Financial Analysis of the Agency as a Whole

Net Position

Total Assets of the Agency on August 31, 2020 were over \$1.4 billion, while total liabilities were over \$1.7 billion, resulting in a net position (deficit) of approximately (\$283.1) million.

A summary of net position is shown below:

Statement of Net Position Information

	Business-Type Activities		
	Fiscal Year		
	2020	2019	% of Change
Current and Other Assets	\$ 1,458,270,505.89	\$ 1,516,846,242.83	-3.86%
Capital Assets (Net of Depreciation)	-	-	0.00%
Total Assets	1,458,270,505.89	1,516,846,242.83	-3.86%
Current and Other Liabilities	1,741,355,542.60	1,787,412,606.24	-2.58%
Total Liabilities	1,741,355,542.60	1,787,412,606.24	-2.58%
Net Position:			
Unrestricted Deficit	(283,085,036.71)	(270,566,363.41)	4.63%
Total Net Position (Deficit)	\$ (283,085,036.71)	\$ (270,566,363.41)	4.63%

Changes in Net Position

The Agency recorded program revenues totaling over \$46 million, which includes over \$52 million in contract receipts, net of \$35 million in refunds of contract principle and a decrease in the actuarial value of future contract principal of over \$2 million and other capital gains and contributions of over \$30 million; had an increase in the fair value of investments of nearly \$83 million, and expenses of over \$142 million, which includes a \$55 million negative actuarial change in future contract benefits. The excess of expenses over revenues caused the Agency's total net position to decrease by over \$12 million.

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This compares with an increase in net assets in the previous fiscal year of over \$218.3 million. Revenues and expenses of the Agency's business-type activities are detailed below:

Statement of Activities Information

	Business-Type Activities		
	Fiscal Year		
	2020	2019	% of Change
Revenues			
Education Program Revenues			
Charges for Services	\$ 16,306,077.91	\$ 24,892,033.89	-34.49%
Capital Gains and Contributions	30,407,792.23	43,325,079.59	-29.81%
Transfers	-	210,881,159.00	-100.00%
Total Revenues and Transfers	46,713,870.14	279,098,272.48	-83.26%
Net Increase in Fair Value of Investments	82,958,357.38	3,115,692.88	2562.60%
Expenses	(142,190,900.82)	(63,881,413.39)	122.59%
Decrease in Net Position	\$ (12,518,673.30)	\$ 218,332,551.97	-94.27%

Analysis of the Agency's Funds

Proprietary Funds

The decrease of over \$12 million in the Agency's net position was due to an increase in the unfunded liability of the *Texas Guaranteed Tuition Plan* of over \$67 million and an increase in the funded liability of the *Texas Tuition Promise Fund* of over \$54 million.

The decrease of nearly \$67 million in the unfunded liability of the *Texas Guaranteed Tuition Plan* can be attributable to the following factors:

- a change in the investment return assumptions for future years,
- a lower than expected withdrawals and matriculations levels,

Fiduciary Funds

The financial activity of the Board's college saving plans, the direct-sold *Texas College Savings Plan* and the advisor-sold *LoneStar 529 Plan* and the Board's 529A savings plan, the *Texas ABLE Program*, are reported as private purpose trust funds.

Budgetary Highlights

The Board adopts an annual operating budget. The fiscal 2020 expenditure budget included all administrative costs paid directly by the Agency for the prepaid tuition, college savings plans, and the *Texas ABLE Program*. The budget totaled over \$3.1 million for the fiscal year ended August 31, 2020.

- The largest component of the fiscal 2020 budget was Salaries and Payroll Related Cost at over \$1.6 million or 53% of the total budget.
- The fiscal 2020 budget decreased when compared to the fiscal 2019 budget. The decreases in Professional Fees and Services of 12.35% and the decrease in Other Operating Expenses of 27.67% were coupled with a net increase across other budget categories for an overall decrease year over year of 6.48%.

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Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended August 31, 2020

A summary comparison of the fiscal 2020 budget to actual expenditures paid directly by the Board is shown below:

FY 2020 EXPENSE TO BUDGET COMPARISON						
	FY 2020 Budget	FY 2020 Actual Expenses			\$ Variance Comparing Actual to Budget	% Variance Comparing Actual to Budget
		Enterprise Funds	Private Purpose Trust Funds	Total Actual Expenses		
Salaries and Payroll Related Costs	\$ 1,668,184.97	\$ 1,470,245.35	\$ 252,274.50	\$ 1,722,519.85	\$ 54,334.88	3.26%
Professional Fees and Services	942,874.87	893,819.88	229,176.52	1,122,996.40	180,121.53	19.10%
Repairs and Maintenance	36,000.00	41,031.88	-	41,031.88	5,031.88	13.98%
Materials and Supplies	62,459.00	15,624.22	6,653.43	22,277.65	(40,181.35)	-64.33%
Other Operating Expenses	454,678.64	316,357.30	130,194.70	446,552.00	(8,126.64)	-1.79%
	\$ 3,164,197.49	\$ 2,737,078.63	\$ 618,299.15	\$ 3,355,377.78	\$ 191,180.29	6.04%

Overall expenses were over budget by \$91,180.29 due to higher than expected Salary and Payroll Related Costs and Professional Fees and Services. The fiscal 2020 Operating Budget did not include Plan Manager funding of over \$80,000 for one *Texas ABLE Program* grassroots staff. Due to the legislative transfer of \$210 million in fiscal year 2019, the need to liquidate invested assets to fund benefit payments of the *Texas Guaranteed Tuition Plan* was delayed, thus resulting in higher than expected investment management fees.

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2020, the Agency's capital assets were fully depreciated. All capital assets were verified for existence and impairment.

Debt Administration

The Agency has no debt issued.

Economic Factors and Next Year's Budget and Rates

The two main economic indicators that affected the financial position of the Agency during fiscal year 2020 were:

- The change in the actuarial assumptions to reflect the actual 2019-2020 academic year tuition inflation and updated assumptions for future return on investments for the prepaid plans
- Higher than expected investment asset performance across all plans.

In August 2020, the Board adopted an operating budget of nearly \$3.2 million for fiscal 2021.

Contacting the Agency's Financial Management

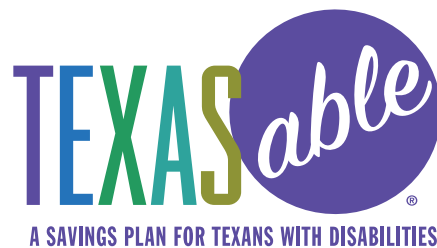
This report is designed to provide our citizens, taxpayers, customers, account owners, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, you can contact the Comptroller's Educational Opportunities and Investments Division by sending a letter to P.O. Box 13407, Austin, Texas 78711-3407, by calling 800-531-5441, ext. 3-2072, or sending an email to benito.navarro@cpa.texas.gov.

Comments or complaints may be forwarded to the Texas Prepaid Higher Education Tuition Board, Office of the Comptroller of Public Accounts, P.O. Box 13407, Austin, Texas 78711-3407, or by calling 512-936-2064.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS



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Texas Prepaid Higher Education Tuition Board (315)

Statement of Net Position

August 31, 2020

	Business-Type Activities	Aggregate Discretely Presented Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3):		
Cash in State Treasury	\$ 27,980,705.97	\$ 129,532.26
Short Term Investments	-	1,179.93
Restricted:		
Cash and Cash Equivalents (Note 3):		
Cash Equivalents	185,700,021.38	-
Receivables From:		
Tuition Contracts Receivable	26,771,427.00	-
Interest and Dividends	4,795,352.90	61.40
Other Assets	52,269.09	1,166,022.86
Total Current Assets	<u>245,299,776.34</u>	<u>1,296,796.45</u>
Non-Current Assets:		
Restricted:		
Tuition Contracts Receivable	111,296,033.00	-
Investments (Note 3)	1,101,674,696.55	-
Capital Assets (Note 2):		
Depreciable:		
Computer Software-Intangible	2,199,883.46	-
Less Accumulated Depreciation	(2,199,883.46)	-
Furniture and Equipment	26,906.91	-
Less Accumulated Depreciation	(26,906.91)	-
Total Non-Current Assets	<u>1,212,970,729.55</u>	<u>-</u>
Total Assets	<u>\$ 1,458,270,505.89</u>	<u>\$ 1,296,796.45</u>
LIABILITIES		
Current Liabilities:		
Payables From:		
Accounts	722,636.14	-
Investment Trades	4,176,921.15	-
Contract Benefits and Expenses	304,049,788.00	-
Employees' Compensable Leave (Note 5)	99,087.76	-
Other Liabilities	1,784,049.15	590,973.45
Total Current Liabilities	<u>310,832,482.20</u>	<u>590,973.45</u>
Non-Current Liabilities:		
Contract Benefits and Expenses	1,430,450,992.00	-
Employees' Compensable Leave (Note 5)	72,068.40	-
Total Non-Current Liabilities	<u>1,430,523,060.40</u>	<u>-</u>
Total Liabilities	<u>1,741,355,542.60</u>	<u>590,973.45</u>
NET POSITION (DEFICIT)		
Unrestricted	<u>(283,085,036.71)</u>	<u>705,823.00</u>
Total Net Position (Deficit)	<u>\$ (283,085,036.71)</u>	<u>\$ 705,823.00</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Statement of Activities

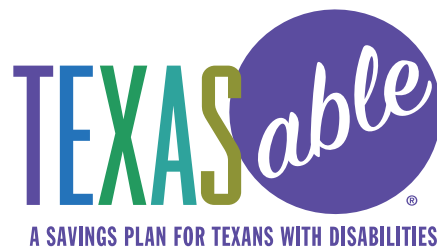
For the Fiscal Year Ended August 31, 2020

	Enterprise Activities- Education Programs	Aggregate Discretely Presented Component Units
PROGRAM REVENUES		
Charges for Services:		
Tuition Contracts	\$ 52,751,338.42	\$ -
Tuition Contracts – Refund of Contract Principal	(35,272,514.25)	-
Changes in Actuarial Future Contract Collections	(2,163,312.00)	-
Licenses, Fees, and Permits	990,565.74	-
Other Revenues	463,532.16	100,000.00
Total Program Revenues	<u>16,769,610.07</u>	<u>100,000.00</u>
PROGRAM EXPENSES		
Tuition Contract Benefits and Expenses	159,830,033.94	-
Changes in Future Contract Benefits	(55,440,655.00)	-
Salaries and Wages	1,155,159.49	-
Payroll Related Costs	315,085.86	-
Professional Fees and Services	5,660,005.31	-
Travel	6,695.74	-
Materials and Supplies	15,624.22	168.00
Communication and Utilities	19,819.02	-
Repairs and Maintenance	41,031.88	-
Rentals and Leases	24,011.41	-
Printing and Reproduction	4,846.40	-
Interest	33.02	-
Other Operating Expenses (Includes Earnings Paid on Refunds of \$29,762,074.07)	30,023,025.78	94,954.63
Total Program Expenses	<u>141,654,717.07</u>	<u>95,122.63</u>
Operating (Loss)	<u>(124,885,107.00)</u>	<u>4,877.37</u>
GENERAL REVENUES		
Gifts, Pledges, and Donations	-	101,738.64
Interest and Dividend Income	29,943,832.48	-
Loan Premiums/Fees on Security Lending	427.59	-
Investing Activities Expenses	(533,090.09)	1,681.34
Borrower Rebates and Agent Fees	(3,093.66)	-
Net Increase in Fair Value of Investments	82,958,357.38	-
Total General Revenues and Transfers	<u>112,366,433.70</u>	<u>103,419.98</u>
Change in Net Position	(12,518,673.30)	108,297.35
Total Net Position (Deficit), September 1, 2019	<u>(270,566,363.41)</u>	<u>597,525.65</u>
Net Position (Deficit), August 31, 2020	<u>\$ (283,085,036.71)</u>	<u>\$ 705,823.00</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

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PROPRIETARY FUND FINANCIAL STATEMENTS



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Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-1 – Statement of Net Position – Major Enterprise Funds

August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 26,157,857.10	\$ 1,822,848.87	\$ 27,980,705.97
Restricted:			
Cash and Cash Equivalents:			
Cash Equivalents	185,700,021.38	-	185,700,021.38
Receivables From:			
Tuition Contracts Receivable	1,090,868.00	25,680,559.00	26,771,427.00
Interest and Dividends	4,794,255.73	1,097.17	4,795,352.90
Other Assets	3,626.77	48,642.32	52,269.09
Total Current Assets	<u>217,746,628.98</u>	<u>27,553,147.36</u>	<u>245,299,776.34</u>
Non-Current Assets:			
Restricted:			
Tuition Contracts Receivable	18,351.00	111,277,682.00	111,296,033.00
Investments	86,551,012.36	1,015,123,684.19	1,101,674,696.55
Capital Assets:			
Depreciable:			
Computer Software-Intangible	2,199,883.46	-	2,199,883.46
Less Accumulated Depreciation	(2,199,883.46)	-	(2,199,883.46)
Furniture and Equipment	26,906.91	-	26,906.91
Less Accumulated Depreciation	(26,906.91)	-	(26,906.91)
Total Non-Current Assets	<u>86,569,363.36</u>	<u>1,126,401,366.19</u>	<u>1,212,970,729.55</u>
Total Assets	<u>\$ 304,315,992.34</u>	<u>\$ 1,153,954,513.55</u>	<u>\$ 1,458,270,505.89</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-1 – Statement of Net Position – Major Enterprise Funds (Continued)

August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
LIABILITIES			
Current Liabilities:			
Payables From:			
Accounts	\$ 174,747.51	\$ 547,888.63	\$ 722,636.14
Investment Trades	4,176,921.15	0.00	4,176,921.15
Contract Benefits and Expenses	216,606,091.00	87,443,697.00	304,049,788.00
Employees' Compensable Leave	82,940.59	16,147.17	99,087.76
Other Liabilities	-	1,784,049.15	1,784,049.15
Total Current Liabilities	<u>221,040,700.25</u>	<u>89,791,781.95</u>	<u>310,832,482.20</u>
Non-Current Liabilities:			
Contract Benefits and Expenses	566,588,605.00	863,862,387.00	1,430,450,992.00
Employees' Compensable Leave	64,948.60	7,119.80	72,068.40
Total Non-Current Liabilities	<u>566,653,553.60</u>	<u>863,869,506.80</u>	<u>1,430,523,060.40</u>
Total Liabilities	<u>\$787,694,253.85</u>	<u>\$953,661,288.75</u>	<u>\$1,741,355,542.60</u>
NET POSITION (DEFICIT)			
Unrestricted	<u>(483,378,261.51)</u>	<u>200,293,224.80</u>	<u>(283,085,036.71)</u>
Total Net Position (Deficit)	<u>\$ (483,378,261.51)</u>	<u>\$ 200,293,224.80</u>	<u>\$ (283,085,036.71)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-2 – Statement of Revenues, Expenses and Changes in Net Position – Major Enterprise Funds

For the Fiscal Year Ended August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
OPERATING REVENUES			
Sales of Goods and Services:			
Tuition Contracts	\$ 3,255,604.14	\$ 49,495,734.28	\$ 52,751,338.42
Tuition Contracts – Refund of Contract Principal	(23,817,995.62)	(11,454,518.63)	(35,272,514.25)
Changes in Actuarial Future Contract Collections	(2,163,312.00)	-	(2,163,312.00)
Licenses, Fees, and Permits	48,445.96	942,119.78	990,565.74
Other Revenues	356,882.16	106,650.00	463,532.16
Total Operating Revenues	(22,320,375.36)	39,089,985.43	16,769,610.07
OPERATING EXPENSES			
Tuition Contract Benefits and Expenses	129,751,156.17	30,078,877.77	159,830,033.94
Changes in Future Contract Benefits	(109,553,672.00)	54,113,017.00	(55,440,655.00)
Salaries and Wages	837,070.42	318,089.07	1,155,159.49
Payroll Related Costs	241,309.53	73,776.33	315,085.86
Professional Fees and Services	700,421.84	4,959,583.47	5,660,005.31
Travel	2,210.41	4,485.33	6,695.74
Materials and Supplies	15,050.40	573.82	15,624.22
Communication and Utilities	19,267.06	551.96	19,819.02
Repairs and Maintenance	41,031.88	-	41,031.88
Rentals and Leases	12,762.86	11,248.55	24,011.41
Printing and Reproduction	4,846.40	-	4,846.40
Interest	16.97	16.05	33.02
Other Operating Expenses (Includes Earnings on Refunds of \$29,762,074.07)	29,803,670.42	219,355.36	30,023,025.78
Total Operating Expenses	51,875,142.36	89,779,574.71	141,654,717.07
Operating Loss	\$ (74,195,517.72)	\$ (50,689,589.28)	\$ (124,885,107.00)

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-2 – Statement of Revenues, Expenses and Changes in Net Position – Major Enterprise Funds (Continued)

For the Fiscal Year Ended August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
NONOPERATING REVENUE (EXPENSES)			
Interest and Dividend Income	\$ 4,753,864.25	\$ 25,189,968.23	\$ 29,943,832.48
Loan Premiums/Fees on Security Lending	427.59	-	427.59
Investing Activities Expenses	(280.11)	(532,809.98)	(533,090.09)
Borrower Rebates and Agent Fees	(3,093.66)	-	(3,093.66)
Net Increase in Fair Value of Investments	2,161,483.27	80,796,874.11	82,958,357.38
Total Nonoperating Revenues (Expenses)	6,912,401.34	105,454,032.36	112,366,433.70
Net Income (Loss)	(67,283,116.38)	54,764,443.08	(12,518,673.30)
Change in Net Position	(67,283,116.38)	54,764,443.08	(12,518,673.30)
Net Position (Deficit), September 1, 2019	(416,095,145.13)	145,528,781.72	(270,566,363.41)
Net Position (Deficit), August 31, 2020	<u>\$ (483,378,261.51)</u>	<u>\$ 200,293,224.80</u>	<u>\$ (283,085,036.71)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-3 – Statement of Cash Flows – Major Enterprise Funds

For the Fiscal Year Ended August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds Received From Customers (Net of Refunds)	\$ (20,507,689.33)	\$38,041,215.65	\$ 17,533,526.32
Earnings Paid on Refunds	(29,762,074.07)	-	(29,762,074.07)
Proceeds from Other Revenues	355,050.98	1,108,322.36	1,463,373.34
Payments to Suppliers for Goods and Services	(752,009.65)	(4,899,377.33)	(5,651,386.98)
Payments to Employees for Salaries	(819,547.91)	(310,684.29)	(1,130,232.20)
Payments to Employees for Benefits	(241,309.53)	(73,776.33)	(315,085.86)
Payments for Other Expenses (Includes Benefit Payments)	(129,772,289.99)	(30,291,657.11)	(160,063,947.10)
Net Cash Provided by (Used in) Operating Activities	<u>(181,499,869.50)</u>	<u>3,574,042.95</u>	<u>(177,925,826.55)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds of Transfers from Other Funds	-	-	-
Payments for Transfers to Other Funds	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales of Investments	324,185,134.27	97,981,172.66	422,166,306.93
Proceeds from Interest Income	7,234,212.42	25,192,325.67	32,426,538.09
Payments to Acquire Investments	(146,644,579.41)	(126,639,853.91)	(273,284,433.32)
Net Cash Provided by (Used in) Investing Activities	<u>184,774,767.28</u>	<u>(3,466,355.58)</u>	<u>181,308,411.70</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,274,897.78	107,687.37	3,382,585.15
Cash and Cash Equivalents, September 1, 2019	<u>208,582,980.70</u>	<u>1,715,161.50</u>	<u>210,298,142.20</u>
Cash and Cash Equivalents, August 31, 2020	<u>\$ 211,857,878.48</u>	<u>\$ 1,822,848.87</u>	<u>\$ 213,680,727.35</u>

Texas Prepaid Higher Education Tuition Board (315)

Exhibit F-3 – Statement of Cash Flows – Major Enterprise Funds (Continued)

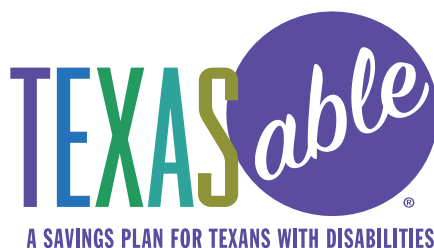
For the Fiscal Year Ended August 31, 2020

	Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan (Fund 0892) U/F (0892)	Prepaid Tuition Unit Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842) U/F (0842/4892)	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Loss	\$ (74,195,517.72)	\$ (50,689,589.28)	\$ (124,885,107.00)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used In) Operating Activities			
Changes in Assets and Liabilities:			
(Increase) Decrease in Tuition Contracts Receivables	2,163,312.00	(4,972,620.00)	(2,809,308.00)
(Increase) Decrease in Other Receivable	(1,831.18)	(6,144.59)	(7,975.77)
Increase (Decrease) in Benefits and Expenses Payable	(109,553,672.00)	59,085,637.00	(50,468,035.00)
Increase (Decrease) in Accounts Payable	70,539.19	83,657.87	154,197.06
Increase (Decrease) in Compensated Absence Liabilities	17,300.21	7,404.78	24,704.99
Increase in Other Liabilities	-	65,697.17	65,697.17
Total Adjustments	<u>(107,304,351.78)</u>	<u>54,263,632.23</u>	<u>(53,040,719.55)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (181,499,869.50)</u>	<u>\$ 3,574,042.95</u>	<u>\$ (177,925,826.55)</u>
NON CASH TRANSACTIONS			
Net Change in Fair Value of Investments	\$ 2,161,483.27	\$ 80,796,874.11	\$ 82,958,357.38

The accompanying notes to the financial statements are an integral part of this financial statement

2020

FIDUCIARY FUND FINANCIAL STATEMENTS



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Texas Prepaid Higher Education Tuition Board (315)

Combining Statement of Fiduciary Net Position

August 31, 2020

	College Savings Plans Private-Purpose Trust Funds (Fund 0892) U/F (2892 & 3892)	Texas ABLE Program Private-Purpose Trust Funds (Fund 0907) U/F (0907)	Totals
ASSETS			
Cash and Cash Equivalents:			
Cash in Bank	\$ 318,179.08	\$ 2,171,127.30	\$ 2,489,306.38
Cash in State Treasury	672,813.29	484,072.21	1,156,885.50
Investments:			
Other Investments	858,608,587.10	3,125,075.09	861,733,662.19
Receivables From:			
Contributions Receivable	1,761,966.33	-	1,761,966.33
Interest and Dividends	295,027.03	280.88	295,307.91
Other	520,649.86	704.76	521,354.62
Total Assets	<u>862,177,222.69</u>	<u>5,781,260.24</u>	<u>867,958,482.93</u>
LIABILITIES			
Payables From:			
Accounts	531,334.33	1,340.29	532,674.62
Withdrawals	1,652,605.29	-	1,652,605.29
Deferred Revenues	664,296.74	479,144.22	1,143,440.96
Other Liabilities	856,090.09	5,214.30	861,304.39
Total Liabilities	<u>3,704,326.45</u>	<u>485,698.81</u>	<u>4,190,025.26</u>
NET POSITION			
Held in Trust For:			
College Savings Plan Contributors, Individuals, Organizations, and Others	<u>\$ 858,472,896.24</u>	<u>\$ 5,295,561.43</u>	<u>\$ 863,768,457.67</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Combining Statement of Changes in Fiduciary Net Position

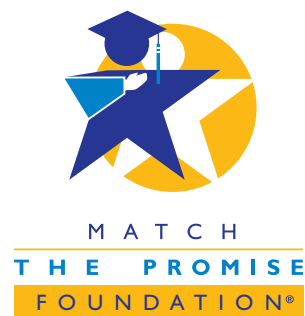
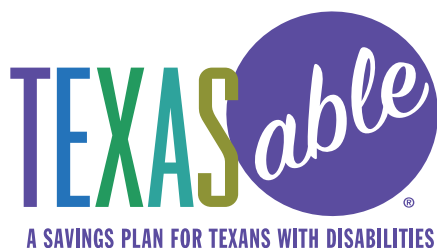
For the Fiscal Year Ended August 31, 2020

	College Savings Plans Private-Purpose Trust Funds (Fund 0892) U/F (2892 & 3892)	Texas ABLE Program Private-Purpose Trust Funds (Fund 0907) U/F (0907)	Totals
ADDITIONS			
Investment Income:			
From Investing Activities:			
Net Appreciation in Fair Value of Investments	\$ 75,828,194.90	\$ 224,047.31	\$ 76,052,242.21
Interest and Investment Income	21,449,179.10	62,512.34	21,511,691.44
Total Investing Income	97,277,374.00	286,559.65	97,563,933.65
Less Investing Activities Expense	5,107,826.66	-	5,107,826.66
Net Income from Investing Activities	92,169,547.34	286,559.65	92,456,106.99
 Total Net Investment Income	 92,169,547.34	 286,559.65	 92,456,106.99
Contributions:			
Account Holder Contributions	274,452,410.86	4,282,056.90	278,734,467.76
Total Contributions	274,452,410.86	4,282,056.90	278,734,467.76
Other Additions:			
Fees – Administrative Services	504,032.09	2,118.63	506,150.72
Reimbursements-Third Party	21,350.68	68,773.82	90,124.50
Total Other Additions	525,382.77	70,892.45	596,275.22
Total Additions	367,147,340.97	4,639,509.00	371,786,849.97
 DEDUCTIONS			
Distributions Made from Accounts	258,050,538.58	1,458,947.55	259,509,486.13
Salaries and Wages	153,348.79	48,627.66	201,976.45
Payroll Related Costs	33,224.43	17,073.62	50,298.05
Professional Fees and Services	223,788.88	5,387.64	229,176.52
Travel	-	6,653.43	6,653.43
Materials and Supplies	-	121.98	121.98
Communications and Utilities	-	780.81	780.81
Rental and Leases	498.55	2,118.40	2,616.95
Interest Expense	3.87	124.67	128.54
Other Expense	126,283.92	262.50	126,546.42
Total Deductions	258,587,687.02	1,540,098.26	260,127,785.28
 INCREASE IN NET POSITION	 108,559,653.95	 3,099,410.74	 111,659,064.69
 NET POSITION			
Net Position Held in Trust for College Savings Plan Contributors, September 1, 2019	749,913,242.29	2,196,150.69	752,109,392.98
Net Position Held in Trust for College Savings Plan Contributors, August 31, 2020	<u>\$ 858,472,896.24</u>	<u>\$ 5,295,561.43</u>	<u>\$ 863,768,457.67</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

2020

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS



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Texas Prepaid Higher Education Tuition Board (315)

Combining Statement of Net Position

Discretely Presented Component Units

August 31, 2020

	Texas Prepaid Tuition Scholarship Foundation (Fund 0892) U/F (1892)	Texas Save and Match Program/ Match the Promise Foundation (Fund 0878) U/F (6892)	Aggregate Discretely Presented Component Units
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 28,769.65	\$ 100,762.61	\$ 129,532.26
Cash In State Treasury	-	1,179.93	1,179.93
Short Term Investments			
Receivables From:			
Interest and Dividends	16.24	45.16	61.40
Other Current Assets	43,320.32	1,122,702.54	1,166,022.86
Total Current Assets	<u>72,106.21</u>	<u>1,224,690.24</u>	<u>1,296,796.45</u>
Total Assets	<u>72,106.21</u>	<u>1,224,690.24</u>	<u>1,296,796.45</u>
LIABILITIES			
Current Liabilities:			
Payables From:			
Other Liabilities	43,320.32	547,653.13	590,973.45
Total Current Liabilities	<u>43,320.32</u>	<u>547,653.13</u>	<u>590,973.45</u>
Total Liabilities	<u>43,320.32</u>	<u>547,653.13</u>	<u>590,973.45</u>
NET POSITION			
Unrestricted	<u>28,785.89</u>	<u>677,037.11</u>	<u>705,823.00</u>
Total Net Position	<u>\$ 28,785.89</u>	<u>\$ 677,037.11</u>	<u>\$ 705,823.00</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Texas Prepaid Higher Education Tuition Board (315)

Combining Statement of Activities

Discretely Presented Component Units

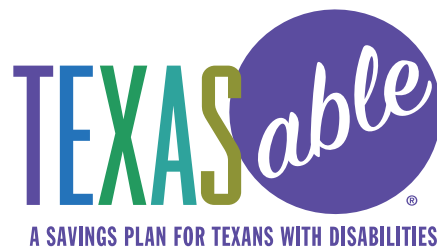
For the Fiscal Year Ended August 31, 2020

	Texas Prepaid Tuition Scholarship Foundation (Fund 0892) U/F (1892)	Texas Save and Match Program/ Match the Promise Foundation (Fund 0878) U/F (6892)	Aggregate Discretely Presented Component Units
OPERATING REVENUE			
Other Operating Revenue	\$ -	\$ 100,000.00	\$ 100,000.00
Total Operating Revenues	<u>-</u>	<u>100,000.00</u>	<u>100,000.00</u>
OPERATING EXPENSES			
Materials and Supplies	-	168.00	168.00
Other Operating Expenses	-	94,954.63	94,954.63
Total Operating Expenses	<u>-</u>	<u>95,122.63</u>	<u>95,122.63</u>
Operating Loss	<u>-</u>	<u>4,877.37</u>	<u>4,877.37</u>
NONOPERATING REVENUE (EXPENSES)			
Gifts, Pledges and Donations	-	101,738.64	101,738.64
Investment Income	437.68	1,243.66	1,681.34
Total Nonoperating Revenues (Expenses)	<u>437.68</u>	<u>102,982.30</u>	<u>103,419.98</u>
Net income	<u>437.68</u>	<u>107,859.67</u>	<u>108,297.35</u>
Change in Net Position	437.68	107,859.67	108,297.35
Net Position, September 1, 2019	<u>28,348.21</u>	<u>569,177.44</u>	<u>597,525.65</u>
Net Position, August 31, 2020	<u>\$ 28,785.89</u>	<u>\$ 677,037.11</u>	<u>\$ 705,823.00</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

2020

NOTES TO THE FINANCIAL STATEMENTS



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Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Texas Prepaid Higher Education Tuition Board (the “Board”) is an agency of the State of Texas (the “State”) and its financial records comply with state statutes and regulations. This includes compliance with the Texas State Comptroller of Public Accounts’ Reporting Requirements of State Agencies.

By Texas law, the Board is comprised of seven members. The Comptroller is the Board’s presiding officer. The Governor appoints two Board members, and the Lieutenant Governor appoints four, two of which come from persons recommended by the Speaker of the Texas House of Representatives. Board members must possess knowledge, skill, and experience in higher education, business, or finance. The Board is in the office of the Comptroller, and Comptroller employees serve as Board staff. The Board meets at least quarterly in Austin, Texas. The Board’s mission is to assist Texas families by providing a means to save sufficient funds for higher education. The Board administers the *Texas Guaranteed Tuition Plan*, the *Texas College Savings Plan*[®], the *LoneStar 529 Plan*[®], the *Texas Tuition Promise Fund*[®], the *Texas Achieving a Better Life Experience Program* (“*Texas ABLE*[®] Program”) and the *Texas Save and Match Program*. Generally, earnings on the State’s prepaid tuition and college savings plans are tax-free to participants if used for a qualified higher education expense.

House Bill 1214 enacted by the Legislature in May 1995 and signed by the Governor in June 1995 established a prepaid higher education tuition program that allowed purchasers to enter into a prepaid tuition contract with the Board to prepay tuition and school-wide required fees for a beneficiary to attend an institution of higher education or private or independent institution of higher education. **In November 1997, Texas voters passed Proposition 13, a constitutional amendment that put the State’s official backing behind the plan, thereby guaranteeing the Texas Tomorrow constitutional trust fund with the full faith and credit of the State of Texas** and the name of the plan was changed from the *Texas Tomorrow Fund*[®] to the *Texas Guaranteed Tuition Plan*. Assets of the plan totaled approximately \$304.3 million at August 31, 2020. Approximately 158,400 prepaid tuition contracts were sold; 34,629 of those accounts were active at August 31, 2020. Participants purchased plans for junior colleges, senior colleges and universities, and/or private colleges and universities. The prepaid tuition program pays tuition and schoolwide required fees only and can be used at eligible Texas public or private colleges and universities, out-of-state colleges and universities, and career schools. Benefits are paid based on an hourly reimbursement rate for the plan type purchased. The plan was closed to new enrollment in 2003 when tuition was deregulated. By rule, the Board considers re-opening plan enrollment on an annual basis based on evaluation of the fund’s actuarial soundness.

In May 2001, the 77th Legislature passed Senate Bill 555 that authorized the Board to offer a college savings plan in addition to its prepaid tuition program. The State offers two college savings plans, the direct-sold *Texas College Savings Plan* and the advisor-sold *LoneStar 529 Plan*. NorthStar Financial Services Group, LLC, (“NorthStar”) served as the plan manager for the college savings plans for the fiscal year ended August 31, 2020. NorthStar provides administrative, record keeping, accounting, distribution, custodian, and customer services for the plans. The Board, with the assistance of an independent investment consultant, sets the asset allocations and selects the underlying investments of the plans. College savings accounts can be used for qualified higher education expenses including tuition and fees, certain room and board expenses, books and required supplies and equipment at any accredited post-secondary school that is eligible to participate in federal student financial aid programs. This includes most public or private universities, graduate schools, community colleges and certain vocational schools. The Tax Cuts and Jobs Act of 2017 amended the Internal Revenue Code Section 529 to allow college savings accounts to be used to pay tuition at an elementary or secondary public, private or religious school. **Assets in the plans are subject to investment risk and are not guaranteed by the State.** There were 45,457 accounts in the college savings plans at August 31, 2020; plan assets totaled \$862.2 million.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

In 2007, the 80th legislature passed House Bill 3900 that established the *Texas Tomorrow Fund II* (“TTF II”) and authorized the *Texas Save and Match Program*. The *Texas Tuition Promise Fund*, created to fulfill the requirement to establish TTF II, opened for new enrollment in November 2008. The *Texas Tuition Promise Fund* allows participants to purchase tuition units at today's Texas public college prices that can be redeemed in the future for tuition and schoolwide required fees at most Texas public colleges and universities (excluding medical and dental units) and the transfer value can be used for payment to Texas medical and dental institutions, private colleges in Texas, out-of-state colleges and career schools. Transfer value is limited to the lesser of (1) the costs the tuition units would cover at a public in-state college or university or (2) the original purchase price of the tuition unit plus or minus the plan's net investment earnings or losses on that amount. NorthStar served as plan manager for the fiscal year ended August 31, 2020. As of fiscal year-end, the *Texas Tuition Promise Fund* had sold 38,480 contracts and fund assets totaled approximately \$1.15 billion. **Texas public colleges and universities must accept the tuition units as payment in full for tuition and schoolwide required fees for the number of hours paid by the plan. Contracts used for Texas medical and dental institutions, private colleges in Texas, out-of-state colleges and career schools are subject to investment risk.**

The *Texas Prepaid Tuition Scholarship Foundation, Inc.* (the “Scholarship Foundation”) was created to provide prepaid tuition scholarships to students meeting certain economic or academic requirements. The Scholarship Foundation is a 501(c)(3) direct-support organization of the *Texas Guaranteed Tuition Plan* and is authorized by Section 54.633 of the Texas Education Code. The Scholarship Foundation is governed by a board composed of the Texas State Comptroller of Public Accounts, a member appointed by the Governor with the advice and consent of the Senate, and three members appointed jointly by the Comptroller and the member appointed by the Governor.

The *Texas Match the Promise Foundation*SM (the “Promise Foundation”), a 501(c)(3) public charity, was established in 2009 to implement the requirements of the *Texas Save and Match Program* established by Section 54.7521 of the Texas Education Code. The 82nd Legislature repealed Section 54.7521 and created Education Code, Chapter 54, Subchapter I, that clarified the roles of the Promise Foundation and the Board in administering the program. The program encourages families to save for college by providing matching funds to beneficiaries enrolled in the *Texas Tuition Promise Fund* based on criteria established by statute and additional criteria established by the Promise Foundation or Board. The Promise Foundation is administered by the Comptroller and a board of directors appointed by the Comptroller.

The *Texas ABLE*[®] Program was created by Senate Bill 1664 in the 84th Legislative Session and signed by the Governor in June 2015 to encourage and assist individuals and families in saving funds for the purpose of supporting individuals with disabilities to maintain health, independence and quality of life; and to provide secure funding for qualified disability expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, the Supplemental Security Income (“SSI”) program, the Social Security Disability Insurance (“SSDI”) program, the Medicaid program, the beneficiary's employment and other sources.

The *Texas ABLE Program*, is established and maintained by the Texas Prepaid Higher Education Tuition Board, with assistance from the Comptroller's Office. The program was opened for enrollment in May 2018. The Board contracted with NorthStar Financial Services Group, LLC to serve as program manager for the Texas ABLE Program. NorthStar served as program manager for the fiscal year ended August 31, 2020. As of fiscal year-end, the Texas ABLE Program had 859 accounts and fund assets totaled nearly \$5.8 million.

By contract, the plan manager of the college savings plans, Texas Tuition Promise Fund and the Texas ABLE Program is required to provide audited financial statements to the Board annually. Those audited statements were used in preparing the Board's financial statements

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

FINANCIAL REPORTING ENTITY

In accordance with accounting principles generally accepted in the United States of America, the Board's financial reporting entity consists of (a) the Board and (b) component units for which the nature and significance of their relationship with the Board is such that exclusion from the reporting entity's financial statement would be misleading or incomplete.

Blended Component Units

Some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and should be reported as part of the primary government. That is, the component unit's balances and transactions should be reported in a manner similar to the balances and transactions of the primary government itself. This method of inclusion is known as blending. No blended component units are included in this report.

Discrete Component Units

These component units are legally separate from the State, but are financially accountable to the State, or have a relationship with the State such that exclusion would cause the financial statements to be misleading. The *Texas Match the Promise Foundation* and the *Texas Prepaid Tuition Scholarship Foundation* are included as discretely presented component units of the Board.

FUND STRUCTURE

Government-Wide and Fund Financial Statements

The basic financial statements, as required by the Governmental Accounting Standards Board, include three basic components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all non-fiduciary activities of the Board as a whole and its component units. The Management Discussion and Analysis section introduces the basic financial statements and provides an analytical overview of the Board's financial activities.

The accounts of the Board are organized in the basis of funds, each of which is considered a separate accounting entity. The Board has two types of funds: (1) proprietary and (2) fiduciary. The fund financial statements provide more detailed information about the Board's major funds only and not the Board as a whole. The Board reports the following major funds in its fund financial statements: The *Texas Guaranteed Tuition Plan* and the *Texas Tuition Promise Fund*.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The financial activities of the *Texas Guaranteed Tuition Plan* (Fund 0892) and the *Texas Tuition Promise Fund* (Fund 0842/4892), are reported as enterprise fund activities.

FIDUCIARY FUND TYPES

Effective September 1, 2019, the Board adopted new accounting guidance by implementing the provisions of *GASB Statement No. 84, Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement requires the reporting of fiduciary activities in the fiduciary fund financial statements of the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation.

In accordance with the provisions of *GASB Statement No. 84, Fiduciary Activities*, the Board determined that reporting a statement of fiduciary net position and a statement of changes in fiduciary net position in the fiduciary fund financial statements of the basic financial statements would be appropriate for the following funds that meet the outlined criteria:

- *Private-purpose trust funds* - the funds are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets the outlined criteria.

The implementation of GASB Statement No. 84 did not impact the presentation of the current financial statements as the Board's Private-purpose trust funds were previously reported as Fiduciary Activities.

Fiduciary Funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or component units. When assets are controlled by the Board and its fiduciary component units or the assets are held under the terms of a formal trust agreement either a pension trust fund, a custodial fund or a private purpose trust fund is used to account for such assets.

Private Purpose Trust Funds

Private Purpose Trust Funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments. The financial activities of the *Texas College Savings Plan* and the *LoneStar 529 Plan* (Funds 2892 and 3892) and *Texas ABLE Program* (Fund 0907) are reported as private purpose trust fund activities.

Component Units

Additional information about component units can be found in Note 19. *The Texas Prepaid Scholarship Foundation* (Fund 1892) and *the Texas Match the Promise Foundation* (Fund 6892) are presented in this report as Discrete Component Units.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds and private purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets.

Tuition contract revenue is recognized in the year the contracts are entered into with a purchaser and are recorded at the future discounted contract payments adjusted for unearned interest and estimated cancellations. Application fees are recognized as revenue when the application is accepted. Refunds of contract principal, due to cancellations, are recorded as contra-revenue in the year the contract is canceled. The Board paid refunds of contract principal in the amount of \$23,817,995.62 and \$11,454,518.63, respectively, for *Texas Guaranteed Tuition Plan* and *Texas Tuition Promise Fund* for the year ended August 31, 2020.

BUDGETS AND BUDGETARY ACCOUNTING

The Board at the beginning of each fiscal year adopts an annual operating budget. This expenditure budget includes all administrative and marketing costs paid directly by the Board for the prepaid tuition and college savings plans and the Texas ABLE Program and totaled \$3,164,197.49 for the fiscal year ended August 31, 2020.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

ASSETS, LIABILITIES AND NET POSITION

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. For purposes of reporting cash flows, the Board considers cash and cash equivalents as money market accounts, certificates of deposit, and government obligations with original maturities of three months or less from the date of purchase. The carrying amount of the Board's deposits and balances with banks, which are held by the State Treasury at August 31, 2020, were \$26,157,857.10 for the *Texas Guaranteed Tuition Plan* and \$1,822,848.87 for the *Texas Tuition Promise Fund*, all of which were fully collateralized or insured. A total of \$185,700,021.38 was invested in the *Texas Guaranteed Tuition Plan's* investment custodian's short-term investment funds and U. S. Treasury Securities at August 31, 2020.

Investments

Investments are stated at fair value in all funds in accordance with *GASB Statement No. 72 Fair Value Measurement and Application*. Fair Value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. The Board carries its investments in equities and debt securities at fair value using observable inputs including but not limited to quoted prices for similar securities, interest rates, and a fixed income pricing model which uses available market rates. The Board also participates and holds investments in pooled funds which publish net asset values and, as permitted by GASB Statement No. 72, carries the securities at net asset value per share.

Interest and Dividends Receivables

Account includes interest and dividends accrued on investments and the depository interest earned by the State Treasury at fiscal year-end that will not be deposited with the Board until after the end of the fiscal year are recorded when earned.

Investment Trade Receivables

This account represents investment sales that occurred on or before the fiscal year end for which cash payments will be received after the fiscal year end.

Tuition Contracts Receivable

The prepaid tuition plans record tuition contracts receivable at the actuarial present value of future discounted contract payments adjusted for unearned interest and estimated cancellations. Any portion due within the next 12 months will be classified as short-term; otherwise, classification as a long-term receivable is appropriate.

Other Receivables

On a monthly basis, the *Texas Tuition Promise Fund*, the *College Savings Plans* and the *Texas ABLE Program*, collect an administrative fee at the annual rate of 0.0575%, 0.0843% and .1%, respectively, of the average daily net assets of the plans to offset the Board's costs of administering the plans. The balances owed on the statement date are recognized as receivables. At August 31, 2020, the administrative fee balance for each plan was \$48,642.32, \$41,157.53 and \$256.38, respectively.

In the normal course of business, both the *College Savings Plans* and the *Texas ABLE Program*, also had other receivables resulting from securities sold and not collected and reimbursable expenses not collected from third parties. The balances at August 31, 2020, for these receivables were \$479,492.33 and \$448.38, respectively.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. Proprietary fund purchases of capital assets are reported in those funds at cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at their acquisition value on the acquisition date. Depreciation or amortization is charged to operations over the estimated useful life of each asset, using the straight-line method. The accumulated depreciation and amortization account records the accumulation of periodic deductions from capital assets to account for the expiration of service life of the asset.

Other Assets

Other Assets consists of tuition units purchased and prepaid tuition contracts purchased by the Board's discretely presented component units, the *Texas Match the Promise Foundation* and the *Texas Prepaid Scholarship Foundation*, respectively. These units are used by the foundation to offer competitive matching scholarships and tuition awards to Texas students who participate in the *Texas Tuition Promise Fund*. The contracts were awarded as scholarships to poster board contest winners.

LIABILITIES

Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Investment Trade Payables

This account represents the liability for investment purchases that occurred on or before the fiscal year end for which cash payment will be made after the fiscal year end.

Contract Benefits and Expenses Payable

The prepaid tuition plans record contract benefits payable at the actuarial present value of future tuition obligations, which is adjusted for the effects of projected tuition and fee increases and termination of contracts. Any portion due within the next 12 months will be classified as current; otherwise, classification as a noncurrent liability is appropriate.

Employees' Compensable Leave

Employees' Compensable Leave balances represent the total liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and other uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the Statements of Net Position. Annual leave, commonly referred to as vacation leave, and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employee. Benefits are earned when the employee's right to receive compensation is attributable to services already rendered and it is probable the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Employees accrue vacation time at a rate of eight to twenty-one hours per month depending on years of employment. The maximum number of hours that can be carried forward to the next fiscal year ranges from 180 hours to 532 hours based on years of service.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Other Liabilities

Other Liabilities consists of administrative fees payable to the State at August 31, 2020 in the *Texas Tuition Promise Fund*, the college savings plans and the *Texas ABLE Program* and the value of tuition units and prepaid tuition contracts awarded as scholarships by the Board's discretely presented component units, the *Texas Match the Promise Foundation* and *Texas Prepaid Tuition Scholarship Foundation*, respectively. The *Texas Match the Promise Foundation* offers competitive matching scholarships and tuition awards to Texas students who participate in the *Texas Tuition Promise Fund*. The *Texas Prepaid Tuition Scholarship Foundation* awarded its scholarships to poster board contest winners.

In the normal course of business, the *College Savings Plans* also had other liabilities resulting from securities purchased for which cash payment will be made after the fiscal year end and from a cash overdraft account. The balance at August 31, 2020, for these liabilities totaled \$856,090.09.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NET POSITION

Net Invested in Capital Assets

Net invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. There was no net investment in capital assets at August 31, 2020.

Restricted Net Position

Restricted Net Position results when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. There was no restricted net position as of August 31, 2020.

Unrestricted Net Position (Deficit)

Unrestricted Net Position consists of net resources, which do not meet the definition of the two proceeding categories. Unrestricted Net Position often has constraints on resources, which are imposed by management, but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The Board has the following transactions between and within State funds:

- (1) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (2) Reciprocal Activities (interfund sales and purchases): Charges or collections of services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

(3) Operating Transfers: Legally required transfers that are reported when incurred as ‘Operating Transfers In’ by the recipient fund and as ‘Operating Transfers Out’ by the disbursing fund.

The composition of the Agency’s interfund activities and balances is presented in Note 12.

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2020, is presented below:

	PRIMARY GOVERNMENT		
	Balance 8/31/2019	Additions	Balance 8/31/2020
BUSINESS-TYPE ACTIVITIES			
Depreciable Assets:			
Furniture and Equipment	\$ 26,906.91	\$ -	\$ 26,906.91
Computer Software – Intangible	2,199,883.46	-	2,199,883.46
Less Accumulated Depreciation for:			
Furniture and Equipment	(26,906.91)	-	(26,906.91)
Computer Software – Intangible	(2,199,883.46)	-	(2,199,883.46)
Depreciable Assets, Net	-	-	-
Business-type Activities			
Capital Assets, Net	\$ -	\$ -	\$ -

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 3: Deposits, Investments, and Repurchase Agreements

House Bill No. 9 amended Section 54.636(e), Education Code, on May 7, 1997, to authorize the Board to make investments following the “prudent person rule.”

Deposits of Cash in Bank

The *Texas Guaranteed Tuition Plan’s* and *Texas Tuition Promise Fund’s* investment policies allow their investment managers to hold cash and cash equivalents for liquidity in the portfolio and to facilitate trading. The funds are included as “Cash Equivalents” and “Cash in State Treasury” on the Statement of Net Position for the Proprietary Funds. Cash in State Treasury is not considered a deposit with a financial institution for the Board’s reporting purposes since the State Treasury is not a bank.

The college savings plans and the *Texas ABLE Program* hold cash for liquidity purposes, as well. The funds are included in the Cash and Cash Equivalents section of the Combining Statement of Fiduciary Net Position for the Private Purpose Trust Funds.

	<u>Proprietary Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
Cash in Bank – Carrying Value	\$ -	\$ 2,489,306.38	\$ 2,489,306.38

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Texas College Savings Plan and the Texas ABLE Program will not be able to recover deposits or collateral securities that are in the possession of an outside party. None of the Texas College Savings Plan's deposits as of August 31, 2020 were exposed to custodial credit risk. The Texas ABLE Program's cash deposits are FDIC insured up to \$250,000. The Program's cash deposits are above that limit currently; therefore, in the event of a failure, the Program's deposits may not be returned promptly.

Investments

The carrying value and fair values of short-term and long-term investments as of August 31, 2020 are shown below:

	Carrying Value	Fair Value	% of Total
BUSINESS-TYPE ACTIVITIES – Texas Guaranteed Tuition Plan (TGTP) (Fund 0892)			
U.S. Government:			
U.S. Treasury Securities	\$ 24,780,718.67	\$ 24,780,718.67	9.10%
U.S. Government Agency Obligations	35,444,173.97	35,444,173.97	13.02%
Corporate Obligations	22,101,797.79	22,101,797.79	8.12%
Corporate Asset and Mortgage Backed Securities	3,223,333.68	3,223,333.68	1.18%
Equity	870.53	870.53	0.00%
International Obligations (Govt and Corp)	1,000,117.72	1,000,117.72	0.37%
Other Commingled Funds – Short Term Investment Fund	185,700,021.38	185,700,021.38	68.21%
Totals	<u>\$ 272,251,033.74</u>	<u>\$ 272,251,033.74</u>	<u>100.00%</u>

Business-Type Activities – Texas Guaranteed Tuition Plan consists of the following:

Proprietary Funds Current Restricted Cash Equivalents	\$ 185,700,021.38
Proprietary Funds Non-Current Restricted Investments	86,551,012.36
Total, as above	<u>\$ 272,251,033.74</u>

	Cost	Fair Value	% of Total
BUSINESS-TYPE ACTIVITIES – Texas Tuition Promise Fund* (Fund 0842)			
Domestic Equity Funds	\$ 128,839,662.22	\$ 162,596,581.08	16.02%
International Equity Funds	268,235,211.44	288,287,135.20	28.40%
Fixed Income Funds	297,450,342.65	300,078,733.81	29.56%
Asset Allocation Funds	72,916,420.07	69,008,054.69	6.80%
Commodity Funds	49,238,899.21	41,463,018.88	4.08%
Exchange Traded Funds	34,301,651.91	55,040,710.53	5.42%
Alternative Investment Funds	90,000,000.00	98,649,450.00	9.72%
Totals	<u>\$ 940,982,187.50</u>	<u>\$ 1,015,123,684.19</u>	<u>100.00%</u>

	Cost	Fair Value	% of Total
FIDUCIARY FUNDS – College Savings Plans* (Fund 2892)			
Fixed Income Mutual Funds	\$ 286,090,681.23	\$ 311,646,445.20	36.30%
Equity Mutual Funds	391,931,275.45	482,342,247.96	56.18%
Money Market Funds	64,619,893.98	64,619,893.94	7.53%
Totals	<u>\$ 742,641,850.66</u>	<u>\$ 858,608,587.10</u>	<u>100.00%</u>

	Cost	Fair Value	% of Total
FIDUCIARY FUNDS – Texas ABLE Program* (Fund 0907)			
Domestic Equity Funds	\$ 896,167.86	\$ 1,067,347.61	34.15%
International Equity Funds	750,758.14	795,856.34	25.47%
Fixed Income Funds	1,225,557.49	1,261,871.14	40.38%
Totals	<u>\$ 2,872,483.49</u>	<u>\$ 3,125,075.09</u>	<u>100.00%</u>

* Investments of the Texas Tuition Promise Fund, the college savings plans, and the Texas ABLE Program are held by the plan manager in the name of the Plan.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The plans utilize various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the plan has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms, limitations, or conditions for the frequency of redemption or any commitments for additional funding. The U.S. Treasury Securities Index Fund invests in U.S. Treasury debt securities and pursue capital preservation while seeking to replicate or outperform the U.S. Treasury Bond Index. The Short-Term Investment Fund invests in money market investments of high quality and low risk with the objective of capital preservation.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of August 31, 2020 for the plan's assets and liabilities measured at fair value:

	Fair Value	Level 1	Level 2	Level 3
BUSINESS-TYPE ACTIVITIES – Texas Guaranteed Tuition Plan (Fund 0892)				
U.S. Government:				
U.S. Treasury Securities	\$ 24,780,718.67	\$ -	\$ 24,780,718.67	\$ -
U.S. Government Agency Obligations	13,498,158.71	-	13,498,158.71	-
Corporate Obligations	22,101,797.79	-	22,101,797.79	-
Corporate Asset and Mortgage Backed Securities	3,223,333.68	-	3,223,333.68	-
Equity	870.53	870.53	-	-
International Obligations (Govt and Corp)	1,000,117.72	-	1,000,117.72	-
	<u>64,604,997.10</u>	<u>\$ 870.53</u>	<u>\$ 64,604,126.57</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
U.S. Treasury Securities (Index Fund)	21,946,015.26			
Other Commingled Funds – Short Term Investment Fund	185,700,021.38			
Totals	<u>\$ 272,251,033.74</u>			
BUSINESS-TYPE ACTIVITIES – Texas Tuition Promise Fund (Fund 0842)				
Domestic Equity Funds	\$ 162,596,581.08	\$ 162,596,581.08	\$ -	\$ -
International Equity Funds	288,287,135.20	288,287,135.20	-	-
Fixed Income Funds	300,078,733.81	300,078,733.81	-	-
Asset Allocation Funds	69,008,054.69	69,008,054.69	-	-
Commodity Funds	41,463,018.88	41,463,018.88	-	-
Exchange Traded Funds	55,040,710.53	55,040,710.53	-	-
Total	<u>\$ 916,474,234.19</u>	<u>\$ 916,474,234.19</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV)				
Alternative Investment Funds	98,649,450.00			
	<u>\$ 1,015,123,684.19</u>			
FIDUCIARY FUNDS – College Savings Plans (Fund 2892)				
Fixed Income Mutual Funds	\$ 311,646,445.20	\$ 311,646,445.20	\$ -	\$ -
Equity Mutual Funds	482,342,247.96	482,342,247.96	-	-
Totals	<u>793,988,693.16</u>	<u>\$ 793,988,693.16</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Money Market Funds	64,619,893.94			
Totals	<u>\$ 858,608,587.10</u>			
FIDUCIARY FUNDS – Texas ABLE Program (Fund 0907)				
Domestic Equity Funds	\$ 1,067,347.61	\$ 1,067,347.61	\$ -	\$ -
International Equity Funds	795,856.34	795,856.34	-	-
Fixed Income Funds	1,261,871.14	1,261,871.14	-	-
Totals	<u>\$ 3,125,075.09</u>	<u>\$ 3,125,075.09</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's investment policy requires its *Texas Guaranteed Tuition Plan* investment custodian to perform an annual creditworthiness review of sub-custodians and security lending borrowers in order to minimize custodial credit risk. *Texas Tuition Promise Fund*, the College Savings Plans, and the *Texas ABLE Program* do not have a formal policy for limiting exposure to custodial credit risk; however, because investments are generally in mutual funds, the risk is significantly mitigated. As of August 31, 2020, none of the *Texas Guaranteed Tuition Plan's* investments were exposed to custodial credit risk, because all securities are held by the plan's custodial bank in the plan's name.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The Board has enacted policies to reduce foreign currency risk for the *Texas Guaranteed Tuition Plan* by reducing its long-term allocation to global fixed-income and by enacting currency hedges on non-U.S. equity portfolios. No exposure to foreign currency risk for the *Texas Guaranteed Tuition Plan* exists as of August 31, 2020, due to balances being denominated in U.S. Dollars.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The *Texas Tuition Promise Fund*, College Savings Plans, and the *Texas ABLE Program* invest in various foreign currencies in pooled vehicles. The registered Underlying Investments prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investments held for the *Texas Guaranteed Tuition Plan* had the following credit risk structure as of August 31, 2020, based on Standard & Poor's and Moody's ratings:

Investment Grade Rating	Total Debt Securities	Standard & Poor's				
		U.S. Treasury Securities	U.S. Government Agency Obligations	Corporate Obligations (b)	Corporate Asset and Mortgage Backed Securities	Other Commingled Funds-Short Term
A	\$ 10,837,090.11	\$ -	\$ -	\$ 10,837,090.11	\$ -	\$ -
AA	1,273,748.69	-	-	253,200.09	1,020,548.60	-
AAA	564,565.32	-	-	-	564,565.32	-
BB	1,169,062.36	-	-	1,169,062.36	-	-
BBB	12,089,806.41	-	816,731.10	10,842,562.95	430,512.36	-
U.S. Government Guaranteed	59,408,161.54	24,780,718.67	34,627,442.87	-	-	-
NR (a)	186,907,728.78	-	-	-	1,207,707.40	185,700,021.38
Totals	<u>\$ 272,250,163.21</u>	<u>\$ 24,780,718.67</u>	<u>\$ 35,444,173.97</u>	<u>\$ 23,101,915.51</u>	<u>\$ 3,223,333.68</u>	<u>\$ 185,700,021.38</u>

Investment Grade Rating	Total Debt Securities	Moody's				
		U.S. Treasury Securities	U.S. Government Agency Obligations	Corporate Obligations (b)	Corporate Asset and Mortgage Backed Securities	Other Commingled Funds-Short Term
A	\$ 11,326,240.54	\$ -	\$ -	\$ 11,326,240.54	\$ -	\$ -
Aa	1,068,474.59	-	-	905,255.02	163,219.57	-
Aaa	23,826,456.50	22,781,968.67	-	-	1,044,487.83	-
Ba	769,314.89	-	-	769,314.89	-	-
Baa	6,816,450.02	-	-	6,816,450.02	-	-
U.S. Government Guaranteed	36,626,192.87	1,998,750.00	34,627,442.87	-	-	-
NR (a)	191,817,033.80	-	816,731.10	3,284,655.04	2,015,626.28	185,700,021.38
Totals	<u>\$ 272,250,163.21</u>	<u>\$ 24,780,718.67</u>	<u>\$ 35,444,173.97</u>	<u>\$ 23,101,915.51</u>	<u>\$ 3,223,333.68</u>	<u>\$ 185,700,021.38</u>

Note a: Not rated securities

Note b: Corporate Obligations includes International Obligations (Govt and Corp)

The *Texas Tuition Promise Fund's* investment pool had the following credit risk structure as of August 31, 2020, based on the Nationally Recognized Statistical Rating Organization ("NRSRO"):

Investment Rating	Eaton Vance Floating-Rate Fund	PIMCO Total Return Fund	Carillon Reams Unconstrained Bond Fund
AAA	\$ -	\$ 53,178,573.59	\$ 10,106,461.86
AA	-	5,187,836.40	6,125,344.99
A	-	15,888,561.60	28,589,708.23
BBB	6,053,026.96	18,684,012.29	23,479,297.89
BB	25,365,534.78	715,115.29	2,944,739.95
B	51,983,080.03	-	-
Below B	7,561,354.52	-	228,717.66
Not Rated	7,620,504.62	36,366,863.15	-
NRSRO Total	<u>\$ 98,583,500.91</u>	<u>\$ 130,020,962.32</u>	<u>\$ 71,474,270.58</u>

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The college savings plans' investment pools had the following credit risk structure as of August 31, 2020, based on the NRSRO:

Investment Rating	DFA Inflation Protected Securities Portfolio	BNY Mellon Bond Market Index Fund	Vanguard Total Bond Market Index Fund
AAA	\$ 127,967,866.39	\$ 27,029,867.36	\$ 91,348,288.03
AA	-	1,171,345.80	5,380,253.19
A	-	4,797,492.19	18,620,606.74
BBB	-	5,659,571.77	29,671,153.73
NRSRO			
Total	\$ 127,967,866.39	\$ 38,658,277.12	\$ 145,020,301.69

The *Texas ABLE Program's* investment pools had the following credit risk structure as of August 31, 2020, based on the Nationally Recognized Statistical Rating Organization (NRSRO):

Investment Rating	Eaton Vance Floating-Rate Fund	PIMCO Total Return Fund
AAA	\$ -	\$ 399,517.82
AA	-	38,974.97
A	-	119,366.94
BBB	17,502.37	140,368.49
BB	73,344.64	5,372.48
B	150,309.48	-
Below B	21,863.72	-
Not Rated	22,034.75	273,215.48
NRSRO Total	\$ 285,054.96	\$ 976,816.18

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. The Agency's investment policy for the *Texas Guaranteed Tuition Plan* restricts each fixed income investment manager to purchases of no more than 5.00% and to holdings of no more than 10.00% of its assets in the securities of a single entity other than the U.S. Government or its agencies. Based on the investment policy, holdings of an equity investment manager are generally not to exceed 3.00% of the amount of shares outstanding for an individual issuer. As of August 31, 2020, no single issuer of the Agency's investments, other than mutual funds or external investment pools, exceeded 5.00%; thus, no concentration of credit disclosure is required by the Governmental Accounting Standards Board.

The investments held by the *Texas Tuition Promise Fund*, the College Savings Plans and the *Texas ABLE Program* were in pooled investments. Therefore, as of August 31, 2020, the Plans did not have any investments subject to the concentration of credit risk.

Interest rate risk refers to the value fluctuations of fixed-income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the plans already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the plans' net positions.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Through its investment policy, the *Texas Guaranteed Tuition Plan* manages its exposure to market value losses arising from increasing interest rates by limiting the effective duration of its overall fixed income portfolio to seven years or less.

The *Texas Guaranteed Tuition Plan's* interest rate risk at August 31, 2020, is as follows:

Investment Type	Fair Value	Effective Duration
Texas Guaranteed Tuition Plan:		
U.S. Treasury Securities		
U.S. Treasury Securities	\$ 24,780,718.67	2.44
	<u>\$ 24,780,718.67</u>	
U.S. Government Agency Obligations		
Funds – Government Agencies	\$ 21,946,015.26	3.92
Government Mortgage Backed Securities	12,681,427.61	2.90
Municipal/Provincial Bonds	816,731.10	0.79
	<u>\$ 35,444,173.97</u>	
Corporate and International Obligations (Govt and Corp)		
Corporate Bonds	\$ 23,101,915.51	0.26
	<u>\$ 23,101,915.51</u>	
Corporate Asset and Mortgage Backed Securities		
Asset Backed Securities	\$ 2,015,626.28	1.31
Commercial Mortgage-Backed Securities	1,044,487.83	1.69
Non-Government Backed C.M.O.s	163,219.57	0.86
	<u>\$ 3,223,333.68</u>	
Other Commingled Funds-Short Term		
Funds-Short Term Investments	\$ 185,700,021.38	0.15
	<u>\$ 185,700,021.38</u>	
Total Interest Rate Risk Debt Securities	<u>\$ 272,250,163.21</u>	

The *Texas Guaranteed Tuition Plan* holds \$12,681,427.61 in government mortgage-backed securities that are highly sensitive to changes in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The effective duration is weighted by fair value of each security and is expressed in years.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The *Texas Tuition Promise Fund's*, the *College Savings Plans'*, and *Texas ABLE Program's* interest rate risks at August 31, 2020, are as follows:

Holdings	Fair Value	Effective Duration
Texas Tuition Promise Fund:		
Eaton Vance Floating-Rate Fund	\$ 98,583,500.91	0.24
PIMCO Total Return Fund	130,020,962.32	5.26
Carillon Reams Unconstrained Bond Fund	71,474,270.58	0.50
	<u>\$ 300,078,733.81</u>	

Holdings	Fair Value	Effective Duration
College Savings Plans		
DFA Inflation Protected Securities Portfolio	\$ 127,967,866.39	7.88
BNY Mellon Bond Market Fund	38,658,277.12	6.04
Vanguard Total Bond Market Index Fund	145,020,301.69	6.55
	<u>\$ 311,646,445.20</u>	

Holdings	Fair Value	Effective Duration
Texas ABLE Program		
Eaton Vance Floating-Rate Fund	\$ 285,054.96	0.24
PIMCO Total Return Fund	976,816.18	5.26
	<u>\$ 1,261,871.14</u>	

The effective duration is weighted by fair value of each security and is expressed in years.

NOTE 4: Short-Term Debt

The Board held no short-term debt during the fiscal year ended August 31, 2020.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2020, the following changes occurred in liabilities:

Business-Type Activities	Balance 8/31/2019	Additions	Reductions	Balance 8/31/2020	Amounts Due Within One Year
Texas Tomorrow Constitutional Trust Fund/Texas Guaranteed Tuition Plan (Fund 0892):					
Employees' Compensable					
Leave	\$ 130,366.68	\$ 91,234.26	\$ 73,711.75	\$ 147,889.19	\$ 82,940.59
Liabilities Payable From Restricted Assets – Contract Benefits and Expenses	892,748,368.00	-	109,553,672.00	783,194,696.00	216,606,091.00
Total Business-Type Activities	<u>\$ 892,878,734.68</u>	<u>\$ 91,234.26</u>	<u>\$ 109,627,383.75</u>	<u>\$ 783,342,585.19</u>	<u>\$ 216,689,031.59</u>
Prepaid Tuition Undergraduate Education Program/Texas Tuition Promise Fund (Fund 0842):					
Employees' Compensable					
Leave	\$ 15,862.19	\$ 21,085.21	\$ 13,680.43	\$ 23,266.97	\$ 16,147.17
Liabilities Payable From Restricted Assets – Contract Benefits and Expenses	892,220,447.00	59,085,637.00	-	951,306,084.00	87,443,697.00
Total Business-Type Activities	<u>\$ 892,236,309.19</u>	<u>\$ 59,106,722.21</u>	<u>\$ 13,680.43</u>	<u>\$ 951,329,350.97</u>	<u>\$ 87,459,844.17</u>

Employees' Compensable Leave

If a State employee has had continuous employment with the State for at least six months, the State employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal, or separation from State employment. Both an expense and a liability are recorded as the benefits accrue to employees. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation is paid.

Liabilities Payable from Restricted Assets/Contract Benefits and Expenses

The Board recognizes a liability for future benefits payable to the participants in the State's two prepaid tuition plans, the *Texas Guaranteed Tuition Plan* established in 1995 and the *Texas Tuition Promise Fund* established in 2007. The breakdown is on Exhibit F-1 – Statement of Net Position – Major Enterprise Funds. The prepaid tuition plans record the future benefit payable at the actuarial present value of future tuition obligations, adjusted for the effects of projected tuition and schools-wide required fee increase and termination of contracts.

NOTE 6: Bonded Indebtedness

The Board was obligated for no bonds during the fiscal year ended August 31, 2020.

NOTE 7: Derivatives

The Board does not have any derivatives to report for the fiscal year ended August 31, 2020.

NOTE 8: Leases

The Board does not have any leases to report for the fiscal year ended August 31, 2020.

NOTE 9: Retirement Plans

The Board is not allocated any pension expense by the Employees Retirement System of Texas.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 10: Deferred Compensation

The Board does not have any deferred compensation to report for the fiscal year ended August 31, 2020.

NOTE 11: Post Employment Health Care and Life Insurance Benefits

The Board is not allocated any post-employment health care or life insurance benefit expense by the Employees Retirement System of Texas.

NOTE 12: Interfund Activity and Transactions

The Board had \$0.00 in Interfund Receivable/Payable, \$0.00 in Due From/To Other Agencies, and \$0.00 Transfers at August 31, 2020.

NOTE 13: Continuance Subject to Review

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2021, unless continued in existence by the Legislature as provided by the Act. In October 2019 Sunset Commission staff began their review of the Board and published their report in April of 2020. The Sunset review process will be completed during the 87th Legislative Session, where the legislature will decide whether to continue or abolish the Agency. If abolished, the Agency may continue until September 1, 2022, to close out its operations.

NOTE 14: Adjustments to Net Position

The Board does not have any adjustments to Net Position to report for the fiscal year ended August 31, 2020.

NOTE 15: Contingencies and Commitments

The Board has no contingencies or commitments to report for the fiscal year ended August 31, 2020.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 16: Subsequent Events

Management evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 17, 2020, the date the financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. This coronavirus has resulted in closing international borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general public concern and uncertainty. The impact of this outbreak has at least temporarily negatively affected the worldwide economy, as well as the economies of individual countries and states, the financial health of individual companies and the market in general in significant and unforeseen ways. The future impact of COVID-19 is currently unknown, and it may exacerbate the risks that apply to the portfolios of the Texas College Savings plans, Texas ABLE program and transfer value of the Texas Tuition Promise Fund. Any such impact could adversely affect the portfolios' performance, the performance of the securities in which the portfolios invest and may lead to losses on your investment in the portfolios. The ultimate impact of COVID-19 on the financial performance of the portfolios' investments is not reasonably estimable at this time.

NOTE 17: Risk Management

The staff of the Texas Prepaid Higher Education Tuition Board are employees of the Texas Comptroller of Public Accounts. In accordance with Tex. Gov't Code § 653.002, the agency no longer carries a fidelity surety bond on the Texas State Comptroller of Public Accounts and his employees.

In addition, the Texas Prepaid Higher Education Tuition Board has Public Official and Employment Practices Liability Insurance coverage for board members through Arthur J. Gallagher & Co. – Dallas. The coverage amount as of August 31, 2020, was \$2,000,000 per claim and in the aggregate with a \$100,000 deductible.

Presented below is the total tuition benefits obligation of the *Texas Guaranteed Tuition Plan* based upon the actuarial present value ("APV") of the future tuition obligation. The Texas Guaranteed Tuition Plan is constitutionally guaranteed by the State. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition and fee increases and termination of contracts. Net assets available represent assets in the program at market value and the future discounted contract payments adjusted for estimated cancellation based upon the actuarial assumptions and evaluations.

	<u>August 31, 2020</u>
<i>APV of Future Benefits Payable</i>	
Future contract benefits and expenses.....	\$783,194,696.00
<i>Total Net Assets Available</i>	\$299,816,434.49
 Total Assets as a Percentage of Tuition	
Benefit Obligations	38.3%
 Deficit.....	\$483,378,261.51

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

The following Board approved assumptions were used in the actuarial evaluations:

- | | |
|-------------------------|--|
| * Investment Rates: | The investment yield assumption ranges are as follows: <ul style="list-style-type: none"> • .5% for 2021 • .2% for 2022 and after |
| * Tuition/Required Fees | The assumed tuition increases for future years were as follows: <ul style="list-style-type: none"> • 6.3% for Public Senior Colleges • 5.2% for Junior Colleges • 7.3% for Private Universities |
| * Future New Entrants: | It was assumed that no new contracts would be sold in the future. |

The *Texas Tuition Promise Fund* is not guaranteed by the State. Assumptions for tuition increases are the same as those for the *Texas Guaranteed Tuition Plan* above. The assumption for investment return used for the 2020 actuarial valuation, net of fees and expenses, is 4.85% (5.83% minus 0.98% fees and \$50,000 per year in expenses). Total assets as a percentage of tuition benefit obligations for the Plan as of August 31, 2020 are 121.1%.

NOTE 18: Management's Discussion and Analysis

(See pages 3-9)

NOTE 19: The Financial Reporting Entity

Individual Component Unit Disclosures

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a government unit. Because of the closeness of their relationships with the primary government, some component units are blended as though they are part of the primary government. Most component units, however, are discretely presented. None of the component units for the Board meet the criteria for major component unit presentation and those presented are for informational purposes of interested parties. The component units are reported for the year ended August 31, 2020, unless indicated otherwise.

Finally, based upon criteria established by GASB No. 14, as amended by GASB No. 61, the Board is not a component unit of the Texas State Comptroller of Public Accounts' Office.

Blended Component Units

The Board does not have any blended component units to report.

Discretely Presented Component Units

The Board reports the following legally separate entities as component units because both entities support the Board's programs; however, the component units do not provide services entirely or almost entirely to the Board. Therefore, the component units' financial data is discretely presented in Exhibits VIII-Combined Statement of Net Position-Discretely Presented Component Units and Exhibit IX-Combined Statement of Revenues, Expenses and Changes in Net Position- Discretely Presented Component Units.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Texas Prepaid Tuition Scholarship Foundation (TPTSF) (FT 15, Fund 0892/1892) is a legally separate entity that was created to provide prepaid tuition scholarships to students meeting economic or academic requirements. TPTSF is a direct-support organization of the Texas Guaranteed Tuition Plan and is authorized by the Texas Education Code. TPTSF is governed by a board composed of the Comptroller, a member appointed by the Governor with the advice and consent of the Senate and three members appointed jointly by the Comptroller and the member who is appointed by the Governor. The Comptroller serves as the Executive Director of the Board and assigns and supervises employees responsible for the day-to-day operations of TPTSF. TPTSF does not issue separate financial statements. Information may be obtained by contacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th Street, Austin, Texas 78774.

Texas Match the Promise Foundation (TMPF) (FT 15, Fund 0892/6892) is a legally separate entity established to implement the Texas Save and Match Program, which helps families save for college by offering competitive matching scholarships and tuition grants to Texas students who participate in the Texas Tuition Promise Fund. The Comptroller appoints TMPF's governing board and can remove appointed board members at will. The Comptroller also assigns and supervises employees responsible for the day-to-day operations of TMPF. TMPF does not issue separate financial statements. Information may be obtained by contacting the Texas Comptroller of Public Accounts, Texas Guaranteed Tuition Plan at 111 E. 17th Street, Austin, Texas 78774.

Related Parties

The Texas State Comptroller of Public Accounts ("Comptroller") serves as the Chair and Executive Director of the seven-member Texas Prepaid Higher Education Tuition Board that administers the *Texas Guaranteed Tuition Plan* and the *Texas Tuition Promise Fund*, the State's prepaid tuition plans, the *Texas College Savings Plan* and the *LoneStar 529 Plan*, the State's college savings plans, and the *Texas ABLE Program*, the State's savings plan for individuals with disabilities. The Comptroller's office provides financial and staff support to conduct and administer the day-to-day operations of the Agency and contract management. Daily operations of the *Texas Tuition Promise Fund*, the *Texas College Savings Plan*, the *LoneStar 529 Plan*, and the *Texas ABLE Program* are outsourced to a plan manager.

Salaries and related benefit expenses are reimbursed by the Board to the Comptroller's office. The Comptroller's Office also pays salaries and related benefit expenses for outreach staff that supports the plans. Funding for outreach staff is provided by the plan manager. Salaries and related benefits paid by the Comptroller's Office totaled \$1,722,519.85 for the fiscal year.

The Comptroller also serves as the Chair of the *Texas Match the Promise Foundation*SM and the *Texas Prepaid Tuition Scholarship Foundation*.

NOTE 20: Stewardship, Compliance, and Accountability

The Economic Growth and Tax Relief Reconciliation Act of 2001 made significant changes to Section 529 of the Internal Revenue Code. Distributions from qualified tuition programs that are used for qualified higher education expenses are currently exempt from federal income tax. This exemption was scheduled to expire on December 31, 2010. The Pension Protection Act (H. R. 4), which was signed by President Bush on August 17, 2006, made the exemption permanent.

At August 31, 2020, the *Texas Guaranteed Tuition Plan* had a projected unfunded deficit of (\$483,378,261.51) compared to a deficit of (\$416,095,145.13) at August 31, 2019. The deficit is determined by comparing estimated future contract collections and investment earnings to the projected value of future contract benefits to be paid.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

At August 31, 2020, the *Texas Tuition Promise Fund* had a projected surplus of \$200,293,224.80 compared to a surplus of \$145,528,781.72 at August 31, 2019. The surplus is determined by comparing estimated future contract collections and investment earnings to the projected value of future contract benefits to be paid.

NOTE 21: Reserved

Reserved for Statewide reporting purposes.

NOTE 22: Donor-Restricted Endowments

The Board has no donor-restricted endowments to report for the fiscal year ended August 31, 2020.

NOTE 23: Extraordinary and Special Items

The Board has no extraordinary or special items to report for the fiscal year ended August 31, 2020.

NOTE 24: Disaggregation of Receivable and Payable Balances

The Board's receivable and payable balances are disaggregated on the Statement of Net Position.

NOTE 25: Termination Benefits

The Board has no termination benefits to report for the fiscal year ended August 31, 2020.

NOTE 26: Segment Information

The Board has no segment information to report for the fiscal year ended August 31, 2020.

NOTE 27: Service Concession Arrangements

The Board has no service concession agreements to report for the fiscal year ended August 31, 2020.

NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources

The Board has no deferred outflows and deferred inflows of resources to report for the fiscal year ended August 31, 2020.

NOTE 29: Troubled Debt Restructuring

The Board has no troubled debt restructuring to report for the fiscal year ended August 31, 2020.

NOTE 30: Non-Exchange Financial Guarantees

The Board has no non-exchange financial guarantees to report for the fiscal year ended August 31, 2020.

NOTE 31: Tax Abatements

The Board has no tax abatements to report for the fiscal year ended August 31, 2020.

NOTE 32: Fund Balances-Classification

The Board's Net Position is reported as required within these financial statements.

Texas Prepaid Higher Education Tuition Board (315)

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

Schedule 1A – Schedule of Expenditures of Federal Awards and Accompanying Notes

The Board has no federal awards to report for the fiscal year ended August 31, 2020.

Schedule 1B – Schedule of State Grant Pass-Through From/To State Agencies/Universities

The Board has no state grant pass-through activity to report for the fiscal year ended August 31, 2020.

Schedule 2A – Miscellaneous Bond Information

The Board has no bond information to report for the fiscal year ended August 31, 2020.

Schedule 2B – Changes in Bonded Indebtedness

The Board has no bond information to report for the fiscal year ended August 31, 2020.

Schedule 2C – Debt Service Requirements

The Board has no debt service information to report for the fiscal year ended August 31, 2020.

Schedule 2D – Analysis of Funds Available for Debt Service

The Board has no funds available for debt service information to report for the fiscal year ended August 31, 2020.

Schedule 2E – Defeased Bonds Outstanding

The Board has no defeased bonds outstanding to report for the fiscal year ended August 31, 2020.

Schedule 2F – Early Extinguishment and Refunding

The Board has no extinguishment or refunding information to report for the fiscal year ended August 31, 2020.

Schedule 3 – Reconciliation of Cash in State Treasury and Schedule of Cash and Cash Equivalents

Cash in State Treasury, Cash in Bank and Cash Equivalents are reported as separate line items in these financial statements.

2020

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND
OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT
AUDITING STANDARDS**



TEXAS TUITION
PROMISE FUNDSM

A Prepaid Plan as Smart as You Are



TEXAS GUARANTEED TUITION PLAN



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A SAVINGS PLAN FOR TEXANS WITH DISABILITIES



MATCH
THE PROMISE
FOUNDATION[®]



Texas Tomorrow Fund
Texas Prepaid Scholarship Foundation

LONESTAR
529 PLANSM

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RSM US LLP

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

Independent Auditor's Report

To the Texas Prepaid Higher Education Tuition Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities, the aggregate discretely presented component units, each major enterprise fund and the aggregate remaining fund information of the Texas Prepaid Higher Education Tuition Board (the Board) as of and for the fiscal year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 17, 2020. Our report includes a reference to other auditors who audited the financial statements of the Texas Tuition Promise Fund® and the Texas ABLE® Program, as described in our report on the Board's basic financial statements. The financial statements of the Texas Tuition Promise Fund®, Texas College Savings Plan®, LoneStar 529 Plan® and the Texas ABLE® Program were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Austin, Texas
December 17, 2020

2020

TEXAS GUARANTEED TUITION PLAN ACTUARY'S REPORT



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TEXAS GUARANTEED TUITION PLAN

ACTUARY'S REPORT ON PROGRAM SOUNDNESS

AUGUST 31, 2020

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Actuary's Report on Program Soundness August 31, 2020

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Section I – Executive Summary

Adequacy of the Fund

As of August 31, 2020, the Plan had an unfunded liability of \$483,378,261. The unfunded liability represents the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present value of the expected future tuition and tuition and schoolwide required fees, refunds and expenses. The unfunded liability is \$67,283,116 higher than last year's unfunded liability of \$416,095,145, and \$56,456,026 more than the expected unfunded liability of \$426,922,235. The five primary sources of change are:

- a) Investment asset performance of 2.02% was lower than the assumed investment return of 2.50%. The negative variance of 0.48% generated an asset loss of \$1.8 million. This estimate may vary from the actual asset performance as determined by the investment consultant.
- b) Tuition Increases: Increases in tuition were less than expected and resulted in a \$22.5 million decrease in the unfunded liability.
- c) Changing the investment return assumptions for future years resulted in a \$21.8 million increase in the unfunded liability.
- d) Students took less credit hours than expected at more expensive schools than expected. This decreased the liability by \$0.8 million because the investment return in the fund was less than the tuition increases.
- e) Withdrawal and matriculations were significantly less than expected and created a loss of \$55.5 million as those hours are carried forward to future years and the associated benefit liability is increased by projected tuition inflation.

The table below summarizes current balances:

Assets	
Investments	\$ 298,707,216
Future Contract Collections	<u>1,109,219</u>
Total Assets	299,816,435
Liabilities and Surplus	
Future Contract Benefits and Expenses	\$ 783,194,696
Deficit of Assets over Liabilities	<u>(483,378,261)</u>
Total Liabilities and Surplus (Deficit)	299,816,435

The program's funded ratio is 38.3%. This represents a decrease of 15.1% from last year's ratio of 53.4%.

The assumptions used to measure the adequacy of the Plan, which were approved by the Board, are stated in Section IV. The most important assumptions are:

The investment yield;
 The rate of increase in tuition and schoolwide required fees;
 Withdrawal rates;
 Future new entrants; and
 Expenses.

Investment Yield

The investment yield is the expected long-term net earnings rate of return on the assets.

The actuarial valuation of the Plan was determined using the schedule of interest rates found in Section IV. We also assumed the Plan is exempt from federal income tax. It is important to highlight the sensitivity of this analysis to this assumption. As pointed out subsequently, a 100-basis points shortfall in such a goal would place the Plan in a less favorable position. Additionally, the nature of this type of program involves payment of benefits at fixed future points in time, subjecting the Plan to greater than average investment risk due to short-term fluctuation and in matching investment maturities with expected outlays.

Rate of Increase in Tuition and Schoolwide Required Fees

Under statutory changes approved in 2003 by the Texas Legislature, the amount of tuition and schoolwide required fees paid for each beneficiary who uses a Senior College contract to attend a 4-year Texas Public College or University (Public Senior College) will be the lesser of: 1) actual tuition and schoolwide required fees or 2) the weighted average tuition and schoolwide required fees of all Texas public 4-year colleges and universities. Under this formula, Public Senior Colleges must accept this amount as payment in full for tuition and schoolwide required fees for a beneficiary who attends using plan benefits.

After careful analysis, the Texas Prepaid Higher Education Tuition Board (Board) selected tuition and schoolwide required fee increase assumptions above an expected rate of inflation. The assumed annual increases were 6.3% for Public Senior Colleges, 5.2% for Junior Colleges and 7.3% for Private Universities. These assumptions were unchanged from the prior valuation.

Future New Entrants

New contracts in future years would serve: a) to expand the base for spreading fixed expenses; b) to increase the likelihood that the Plan average tuition cost will not exceed Weighted Average Tuition (WAT) by a significant amount; and c) to ensure a large enough fund balance to invest profitably. However, adding new entrants could also expose the Plan to increased unfunded liabilities if either tuition inflation exceeds the assumption or investment returns are less than the assumption used to price the contracts.

In 2003 the Board suspended new enrollment in the Plan. For purpose of the actuarial analysis in this report, it is assumed that no future contracts will be sold.

In 2008, the Board opened a new prepaid tuition plan for enrollment, the Texas Tuition Promise Fund®.

Expense

In our analysis we provide an expense provision for records administration charges and for general expenses. The provision for fiscal year 2020 is \$32 per contract that we assumed will increase 3.5% per year for inflation. This assumption was unchanged from the prior valuation.

Bias Against the Program by Purchasers and Beneficiaries

Bias is the result of rational decisions by purchasers and beneficiaries. Bias against the Plan is expected and is intrinsic to the purpose of a prepaid tuition program. A basic reason for establishing

the Texas Guaranteed Tuition Plan is that the purchase of a contract will increase the commitment of the purchaser to a belief the beneficiary will become qualified to enter college and that the ownership of a contract will cause the beneficiary to be comfortable with a commitment to academic achievement.

Bias against the Plan causes the amount the Plan pays to exceed the WAT. WAT is the average tuition and schoolwide required fees weighted by the number of full-time equivalent students. Bias refers to the degree to which the Texas Guaranteed Tuition Plan beneficiaries choose to attend the higher priced schools and so cause the Plan to pay out more tuition and schoolwide required fee benefits.

According to the amendments to state law, under statutory changes approved in 2003 by the Texas Legislature, the amount of tuition and schoolwide required fees paid for each beneficiary who uses a Senior College contract to attend a Texas public 4-year college or university will be the lesser of: 1) actual tuition and schoolwide required fees or 2) the weighted average tuition and schoolwide required fees of all Texas public 4-year colleges and universities. Under this formula, Texas public colleges and universities must accept this amount as payment in full for a beneficiary who attends a Public Senior College using Plan benefits.

The statutory change removes the bias against the Plan by the Plan beneficiaries choosing to attend the higher priced school, because the maximum tuition and schoolwide required fees payout is limited by the WAT.

However, these amendments do not apply to community colleges. The assumed bias load was 10.0% for community colleges. This assumption was unchanged from the prior valuation.

Use of Report

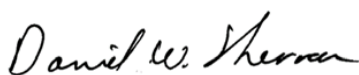
This report is prepared solely to assist the Board of the Texas Guaranteed Tuition Plan in evaluating the actuarial soundness of the Plan each year. The report is not intended and is not suitable for any other purpose. Accordingly, Sherman Actuarial Services does not intend this report or the data contained therein to be used as personal financial advice. Other readers of this report should consult with their own financial advisors regarding the application of this report to their particular circumstances.

Qualifications

Daniel Sherman is an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries. He is the actuary for the Texas prepaid tuition plans, and is the current actuary for three other state prepaid tuition plans. He meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

All assumptions were approved by the Board and in my opinion are reasonable.

SHERMAN ACTUARIAL SERVICES, LLC



Daniel Sherman, ASA, MAAA
CEO and Consulting Actuary

SECTION II – Summary of Contract Data and Current Assets

Contract Data

A contract inventory report as of August 31, 2020 was extracted from Plan data. The contract inventory report presents the number of credit hours issued net of cancellations by contract type, number of years of tuition, grade or age of beneficiary and payment option.

The contracts issued in 1996 are for 30 credit hours per year. The contracts issued after 1996 are for 32 credit hours per year. The credit inventory (number of hours) as of August 31, 2020 is summarized in the following table.

	Payment Options						
Plans	Lump Sum	Five-Year Monthly	Ten-Year Monthly	Extended Monthly	Five-Year Annually	Ten-Year Annually	Extended Annually
1996 Enrollment							
Sr. College	22,244	17,301	25,576	27,614			
Jr. College	149	573	797	1,338			
Jr. & Sr. College	1,851	1,922	3,449	4,557			
Private College	151	591	143	237			
Total 1996	24,395	20,387	29,965	33,745			
1997 Enrollment							
Sr. College	26,750	20,027	25,994	18,750			
Jr. College	687	328	471	740			
Jr. & Sr. College	1,166	1,903	2,583	2,652			
Private College	1,665	354	186	164			
Total 1997	30,268	22,611	29,234	22,307			
1998 Enrollment							
Sr. College	32,359	10,495	23,704	19,827	11,449	4,050	2,591
Jr. College	136	181	208	373	6	55	
Jr. & Sr. College	1,267	710	1,578	1,508	451	28	62
Private College	847	200	181	381	89		
Total 1998	34,609	11,586	25,670	22,089	11,995	4,133	2,654
1999 Enrollment							
Sr. College	34,196	11,747	24,778	25,583	11,342	5,411	2,225
Jr. College	128	191	370	355	64		
Jr. & Sr. College	714	963	1,975	2,898	282	38	
Private College	659	32	421	570	505	99	83
Total 1999	35,698	12,933	27,543	29,406	12,193	5,548	2,308
2000 Enrollment							
Sr. College	61,304	22,057	52,381	50,792	20,696	7,746	5,263
Jr. College	285	256	559	683	49		169
Jr. & Sr. College	2,085	2,687	4,031	3,749	690	556	258
Private College	896	170	310	425	992	306	133
Total 2000	64,571	25,170	57,281	55,649	22,427	8,608	5,823

Sum of values may not match totals due to rounding.

<i>Plans</i>	<i>Payment Options</i>						
	<i>Lump Sum</i>	<i>Five-Year Monthly</i>	<i>Ten-Year Monthly</i>	<i>Extended Monthly</i>	<i>Five-Year Annually</i>	<i>Ten-Year Annually</i>	<i>Extended Annually</i>
<i>2001 Enrollment</i>							
<i>Sr. College</i>	74,116	33,304	62,905	89,321	35,198	18,364	12,961
<i>Jr. College</i>	877	624	674	1,507		415	32
<i>Jr. & Sr. College</i>	4,296	3,318	8,178	14,305	1,854	1,454	1,170
<i>Private College</i>	1,667	557	446	1,295	1,108	47	121
<i>Total 2001</i>	80,957	37,804	72,202	106,428	38,160	20,280	14,283
<i>2002 Enrollment</i>							
<i>Sr. College</i>	105,372	37,036	77,215	103,035	55,790	29,973	18,853
<i>Jr. College</i>	959	850	1,081	2,055	60	38	64
<i>Jr. & Sr. College</i>	5,162	3,243	10,514	10,144	3,070	3,181	1,416
<i>Private College</i>	2,721	206	1,034	1,568	1,380	614	190
<i>Total 2002</i>	114,213	41,334	89,844	116,802	60,300	33,806	20,523
<i>2003 Enrollment</i>							
<i>Sr. College</i>	283,416	51,451	114,999	206,492	113,858	69,626	49,851
<i>Jr. College</i>	3,371	1,017	1,843	3,012	316	425	420
<i>Jr. & Sr. College</i>	12,791	4,232	13,136	26,438	6,514	5,339	4,128
<i>Private College</i>	9,063	1,159	1,018	1,666	5,001	492	701
<i>Total 2003</i>	308,641	57,858	130,996	237,608	125,689	75,882	55,099
<i>Total Enrollment</i>							
<i>Sr. College</i>	639,758	203,418	407,552	541,414	248,333	135,171	91,743
<i>Jr. College</i>	6,593	4,020	6,002	10,063	495	933	685
<i>Jr. & Sr. College</i>	29,333	18,978	45,443	66,252	12,861	10,595	7,034
<i>Private College</i>	17,669	3,267	3,739	6,307	9,075	1,559	1,228
<i>Total Enrollment</i>	693,352	229,683	462,736	624,035	270,763	148,257	100,690

Sum of values may not match totals due to rounding.

The number of active contract counts (for all enrollment years combined) by plan type and projected year of matriculation is included in Appendix A.

Current Assets

The assets are administered by the Board and invested by external managers with whom the Board contracts. The value of the assets as of August 31, 2020 is \$298,707,215. Asset totals shown below do not include tuition contracts receivable.

Assets held as of August 31, 2020:

Cash in State Treasury	\$ 26,157,857
Investments	268,074,112
Interest & Dividends Receivable	4,797,883
Less Accounts Payable	<u>(322,637)</u>
Total Assets	\$ 298,707,216

It is assumed that this mix will produce a net annual investment return of 0.5% in fiscal year 2021.

SECTION III – Plan Description

Overview

The Texas Guaranteed Tuition Plan (Plan) is an Internal Revenue Code Section 529 prepaid tuition plan. It allows the contract holder to lock in the cost of undergraduate college tuition and schoolwide required fees, thus providing protection against future tuition inflation.

At matriculation the Plan will pay, based on the contract type and number of credit hours purchased, either 1) the weighted average or actual cost of college tuition and schoolwide required fees at Texas public colleges and universities, whichever is less, or 2) the estimated average private tuition and schoolwide required fees at Texas private colleges and universities.

The contract holder buys credit hours representing a fixed amount of resident tuition and schoolwide required fees. When the beneficiary is ready for college, all or a portion of the tuition and schoolwide required fees will be covered at all four- or two-year public colleges and universities in Texas. The portion of the schoolwide required fees covered will vary based on the type of contract purchased. The contract can also be used to help pay for tuition at all private colleges in Texas and out-of-state institutions. Texas public colleges and universities are required by statute to accept the benefit payments as payment in full for the tuition and schoolwide required fees for the hours purchased.

Eligibility

At the time of enrollment, the beneficiary must be a Texas resident or his/her parent must be both the purchaser and a Texas resident.

Contract Types

The fund will pay the maximum number of credit hours listed below for the type of plan purchased:

➤ **Junior College Plan**

Purchaser can prepay up to 64 credit hours of tuition and schoolwide required fees at any public junior or community college in the state.

➤ **Senior College Plan**

Purchaser can prepay up to 160 credit hours of tuition and schoolwide required fees at any public senior college or university in the state.

➤ **Junior-Senior College Plan**

Purchaser can prepay up to 64 credit hours of tuition and schoolwide required fees at any public, community or technical college in the state. In addition, the purchaser can prepay up to 64 credit hours of tuition and schoolwide required fees for any public senior college or university in the state. Thus, a total of 128 credit hours can be purchased.

➤ **Private College Plan**

Provides an estimated average private tuition and schoolwide required fees, as determined by the Board each year. This amount is applied toward any of Texas' private or independent colleges for up to 160 credit hours. If tuition and schoolwide required fees at the private college chosen exceed the estimated average, the beneficiary is responsible for the remaining balance. If the college charges are less than the estimated average, the purchaser can request a refund of the difference. Otherwise, only the hours necessary to pay the student's tuition and schoolwide required fee charges will be deducted from his or her plan.

Payment Plans

The Plan offers two types of payment plans: Lump Sum and Installment:

➤ **Lump Sum**

- Entire purchase made in one lump sum payment.

➤ **Installment Plan**

- Pay every month or once a year.
- Payment period of 5 years, 10 years, or the number of years until the beneficiary's projected high school graduation date.

Refunds

The purchaser may receive a refund on the unused portion of the contract.

SECTION IV – Actuarial Methods and Assumptions

Actuarial Methods

The actuarial method projects the expected future cash flows from contract payments, tuition and refund benefits and expense. These projected future cash flows are discounted to the present and compared to the market value of the assets to indicate the soundness of the Plan.

The development of the measurement of soundness has seven stages:

Develop base line average tuition and schoolwide required fees from data provided by the Plan;

Project average tuition and schoolwide required fees through the expected term of the contracts, based on assumptions as to future tuition increases;

Determine the nominal cost of expected future tuition and schoolwide required fees, based on the contract inventory and assumptions as to mortality, disability, voluntary surrender and utilization of benefits;

Determine the nominal cost of expected future administrative expenses, based on the contract inventory and the records administration fee schedule, as well as assumptions as to inflation and utilization of benefits;

Project future contract payments based on the contracts and assumptions as to mortality, disability and voluntary surrender;

Determine the present value of expected future benefits, expenses and contract payments, based on the discount rate assumption; and

As the indication of soundness, measure the surplus or deficit, which is the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present values of the expected future tuition and schoolwide required fees, refunds and expenses.

Actuarial Assumptions

Necessary adjustments to reflect new information were made to this year's assumptions. The assumptions were approved by the Board. The revisions to the assumptions, if any, are noted herein.

Tuition and Schoolwide Required Fee Increase

Assumed annual increases in future tuition and schoolwide required fees remained unchanged from the prior valuation:

Public Senior College
6.3%

Junior College
5.2%

Private University
7.3%

Investment Yield

The assumed annual net investment yield is illustrated in the following table:

Plan Year Ending	Current Valuation	Prior Valuation
2021	0.50%	2.20%
2022+	0.20%	2.20%

Discount Rate

Through 2022, anticipated future benefit and contract payments are discounted to the valuation date to determine the present value based on the Investment Yield. After 2022, these future payments are discounted at 2.50%.

Expenses

In our analysis we provide an expense provision for records administration charges and for general expense. The provision for fiscal year 2020 is \$32 per contract, which we assume will increase 3.5% per year for inflation. This assumption remains unchanged from the prior valuation.

Future Participation in the Program

It is assumed that no new contracts will be issued in the future.

Mortality and Disability

Mortality rates for beneficiaries are assumed to follow the 1990 U.S. Life Tables.

Early Voluntary Surrender of Contract

We assumed the following percentages of the public senior college contracts in effect at the beginning of the year would be surrendered during the year. We use similar estimates for the other college types, based on empirical evidence. This assumption remains unchanged from the prior valuation.

Years From Purchase	Lump Sum	Five-Year Payments	Ten-Year Payments	Extended Payments
1 to 2	2.50%	6.30%	8.80%	13.70%
2 to 3	1.80%	3.60%	5.30%	6.00%
3 to 4	0.40%	1.50%	2.30%	3.00%
4 to 5	0.50%	1.00%	2.00%	3.00%
5 to 6	0.50%	0.50%	1.30%	2.00%
After 6 Years	0.80%	1.30%	0.70%	2.30%

Matriculation Percent

We assumed the beneficiary of a contract not voluntarily surrendered matriculates at the date specified in the contract. This assumption remains unchanged from the prior valuation.

Dropout Rate

We assumed beneficiaries use the number of credits specified in the contract.

Utilization of Credits

We assumed beneficiaries use the credits specified according to the following schedule. This assumption remains unchanged from the prior valuation.

Type of Contract	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year
Five – Year Contracts	20%	20%	20%	20%	15%	5%
Four – Year Contracts	25%	24%	23%	20%	8%	0%
Three – Year Contracts	30%	30%	30%	10%	0%	0%
Two – Year Contracts	50%	40%	10%	0%	0%	0%
One – Year Contracts	80%	20%	0%	0%	0%	0%

Frequency of Beneficiary Replacement

We assumed no replacement of beneficiaries.

Bias

We assumed no bias load for universities and a bias load of 10.0% for community colleges. This assumption remains unchanged from the prior valuation.

SECTION V – Soundness of the Plan as of August 31, 2020

As a measure of the soundness of the Plan as of August 31, 2020, we determined the difference between the value of the assets and the actuarial present value of the future contract payments and the actuarial present value of future benefits and expenses. This measurement of soundness is summarized on the following pages.

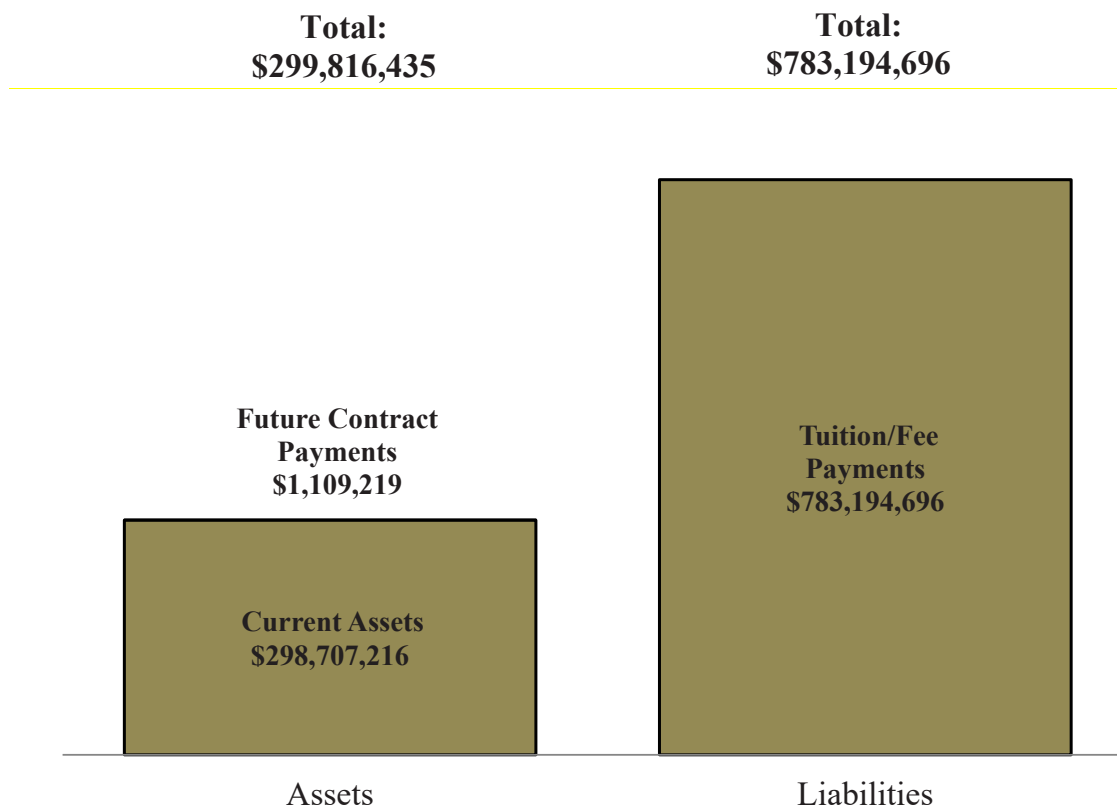
A projection of the status of the Plan at each future anniversary date through the life of these contracts is presented on page 15, labeled Present Value of Assets and Liabilities.

The projections of future benefits and expenses and contract payments are presented on page 16, labeled Expected Annual Cash Flows.

Our measurement of the present value and projections are based on asset and contract information provided and on the assumptions chosen by the Board.

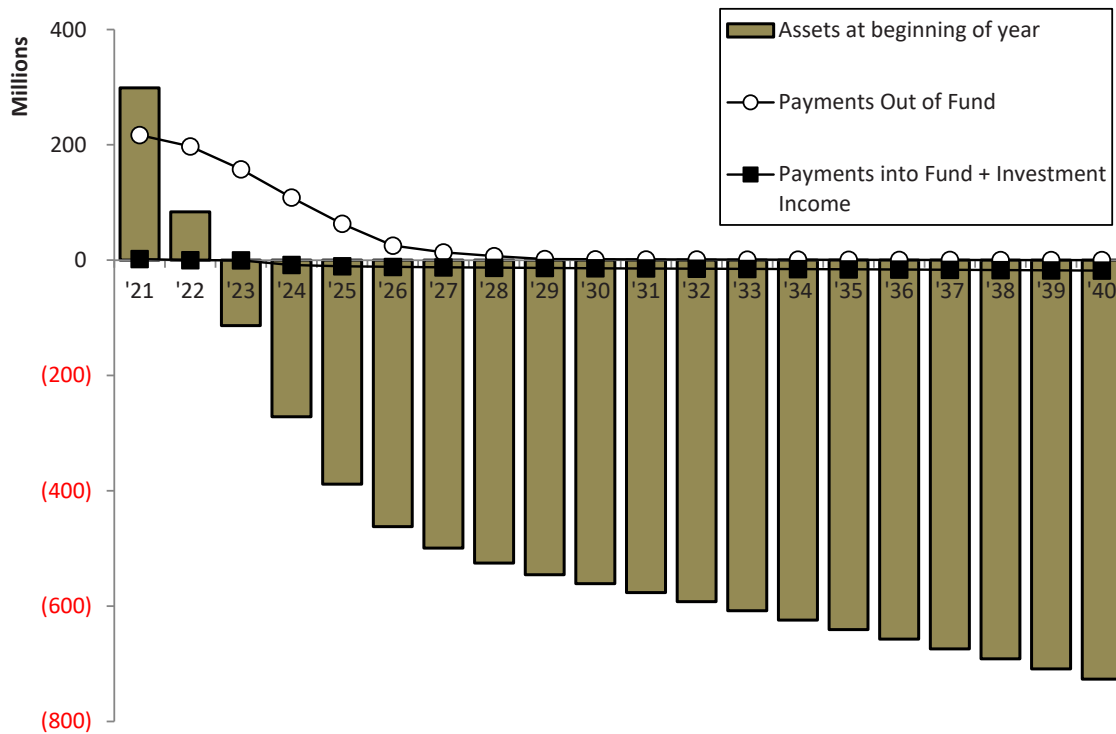
Funded Status

The liabilities of the trust fund exceed the value of assets as of August 31, 2020 (including the value of future payments by contract purchasers) by \$483.4 million. The funded ratio, assets divided by liabilities, is equal to 38.3%. The assumptions used to perform the actuarial valuation of the fund were approved by the Board and are described in Section IV.



Cash Flow Projection

The expected income and disbursements of the trust fund, based on the assumptions used in the actuarial valuation, and the current group of contract beneficiaries, are shown below. These amounts are cash amounts, not present value amounts.



Present Value of Assets and Liabilities

8/31 of Year	Present Value of Future Benefit and Expenses	Value of Assets and Present Value of Future Collections	Deficit of Assets to Liabilities
2020	783,194,696	299,816,435	(483,378,261)
2021	569,421,548	83,626,396	(485,795,153)
2022	372,726,715	(113,672,220)	(486,398,935)
2023	215,404,425	(271,673,763)	(487,078,187)
2024	111,988,683	(388,586,654)	(500,575,337)
2025	51,571,993	(462,274,279)	(513,846,272)
2026	27,586,607	(499,393,100)	(526,979,708)
2027	14,814,637	(525,466,748)	(540,281,385)
2028	8,159,881	(545,694,493)	(553,854,375)
2029	6,579,493	(561,143,143)	(567,722,635)
2030	5,333,040	(576,600,118)	(581,933,158)
2031	4,313,100	(592,182,660)	(596,495,760)
2032	3,284,092	(608,138,145)	(611,422,237)
2033	2,412,321	(624,307,290)	(626,719,611)
2034	1,660,398	(640,737,271)	(642,397,670)
2035	1,132,100	(657,332,574)	(658,464,674)
2036	712,819	(674,219,020)	(674,931,839)
2037	386,217	(691,423,189)	(691,809,406)
2038	203,939	(708,903,083)	(709,107,022)
2039	96,932	(726,739,157)	(726,836,088)

Sum of values may not match totals due to rounding.

Expected Annual Cash Flows

Fiscal Year Ending	Benefit Payments and Expenses	Contract Payment Receipts	Annual Cash Flow
2021	217,013,534	1,090,868	(215,922,665)
2022	197,222,492	21,163	(197,201,329)
2023	157,580,479	0	(157,580,479)
2024	108,466,167	0	(108,466,167)
2025	63,023,375	0	(63,023,375)
2026	25,199,574	0	(25,199,574)
2027	13,425,139	0	(13,425,139)
2028	7,006,132	0	(7,006,132)
2029	1,778,863	0	(1,778,863)
2030	1,406,555	0	(1,406,555)
2031	1,149,680	0	(1,149,680)
2032	1,133,299	0	(1,133,299)
2033	950,906	0	(950,906)
2034	809,703	0	(809,703)
2035	568,036	0	(568,036)
2036	446,191	0	(446,191)
2037	343,350	0	(343,350)
2038	191,336	0	(191,336)
2039	111,757	0	(111,757)
2040	99,046	0	(99,046)

Sum of values may not match totals due to rounding.

Note: The amounts shown above are annual expected amounts for the year corresponding to the “Fiscal Year Ending” column. They are not cumulative amounts. In addition, Payment Receipts are frontloaded. Therefore, the Expected Annual Cash Flows project positive cash flows in the early years and negative in the later years. It is expected that positive cash flows prior to Fiscal Year Ending 2021 would be invested to help cover the negative cash flows in future years.

SECTION VI – Sensitivity Testing

The Program operates under conditions of risk and uncertainty. For example, while it is assumed the assets of the fund will earn the annual net rate found in Section IV, we also expect actual returns to vary from year to year. To accept the reasonableness of the basis for the measurement of the soundness, it is useful to know how the status of the fund may be affected by the vagaries of the markets and other factors. We have rerun the valuation under the following alternative scenarios, and the deficit as of August 31, 2020 under each of these scenarios is presented in the following table:

Scenarios	Deficit
Baseline	483,378,261
The investment return is 0%	482,557,589
Tuition increases are 100 basis points higher in each future year than assumed	494,839,988

SECTION VII – Changes in Surplus

Adequacy of the Fund

As of August 31, 2020, the Plan had an unfunded liability of \$483,378,261. The unfunded liability represents the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present value of the expected future tuition and schoolwide required fees, refunds and expenses. The unfunded liability is \$67,283,116 higher than last year's unfunded liability of \$416,095,145, and \$56,456,026 more than the expected unfunded liability of \$426,922,235. The five primary sources of change are:

- a) Investment asset performance of 2.02% was lower than the assumed investment return of 2.50%. The negative variance of 0.48% generated an asset loss of \$1.8 million. This estimate may vary from the actual asset performance as determined by the investment consultant.
- b) Tuition Increases: Increases in tuition were less than expected and resulted in a \$22.5 million decrease in the unfunded liability.
- c) Changing the investment return assumptions for future years resulted in a \$21.8 million increase in the unfunded liability.
- d) Students took less credit hours than expected at more expensive schools than expected. This decreased the liability by \$0.8 million because the investment return in the fund was less than the tuition increases.
- e) Withdrawal and matriculations were significantly less than expected and created a loss of \$55.5 million as those hours are carried forward to future years and the associated benefit liability is increased by projected tuition inflation.

Following is a comparison of the assumed and the actual results for the year ended August 31, 2020.

Investment Return

The asset return was less than expected during the 2020 fiscal year, returning 2.02% versus the prior year assumption of 2.50%. The negative variance of 0.48% generated an asset loss of \$1.8 million. The extent that investment experience exceeds the assumption will result in an actuarial gain.

Tuition and Schoolwide Required Fee Increase

The Weighted Average Tuition (WAT) for Senior College increased to \$11,155 from \$10,830, an increase of 3.00% compared to the assumed 6.30% increase. The Junior College WAT increased to \$3,747 from \$3,544, an increase of 5.74% compared to the assumed 5.20% increase. The Private College WAT increased to \$30,451 from \$29,441, an increase of 3.43% compared to the assumed 7.30% increase. The tuition experience resulted in an actuarial gain of approximately \$22.5 million.

Bias Against the Program by Purchasers and Beneficiaries

The design of the program removed the bias relating to beneficiaries of Texas Guaranteed Tuition Plan contracts attending relatively higher priced universities. However, there was still an -5.66% bias for community colleges as calculated by comparing the actual tuition and schoolwide required fee payment for the contract beneficiaries who attend community colleges to the expected payout based on program assumptions. Therefore, the bias was -15.66% less than the 10% expected by last year's valuation, resulting in an actuarial gain of \$804,416.

Expense

The assumption for records administration charges and general expenses remains at \$32 per contract for fiscal year 2020, with an increase of 3.5% per year in each future year for inflation. The actual expenses were greater resulting in a loss of \$584,388.

Voluntary Withdrawal and Contract Reductions and Matriculation

Beneficiaries delayed entry into schools or took fewer hours than expected. Since the tuition increases exceeded the assumed investment return, this created an actuarial loss.

Gain/Loss Summary

During the last year, the plan experienced an \$34.62 million actuarial loss. The sources of the (gain)/loss are as follows:

(Gain) / Loss	(millions)
Asset Loss (2.02% return)	\$1.85
Tuition Inflation Gain	(22.49)
Expense	0.58
Bias	(0.80)
Withdrawal and Matriculation	<u>55.48</u>
Total (Gain) / Loss	\$34.62

Assumption Change

Changes to the investment return assumption resulted in a \$21.84 million increase in the unfunded liability. When combined with the actuarial loss of \$34.62 million, results in the total unexpected increase in unfunded liability of \$56.46 million.

TEXAS GUARANTEED TUITION PLAN

Appendix A

Active Contract Counts for All Enrollment Periods

As of August 31, 2020

Matriculation	Plan														
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1997															
1998															
1999															
2000															
2001		1													
2002		1													
2003														1	
2004															
2005		2		1											
2006		6													
2007	2	6											1		
2008		6		1	1	2							2		
2009	2	7	1	1									1		
2010	18	203	12	21	10	5	7	4					44		
2011	129	1259	22	91	22	34	10	24	1			2	128	25	
2012	170	1424	42	99	50	33	8	30	3	3	1		146	22	
2013	178	1684	42	106	60	56	8	32	2			2	173	33	
2014	193	2038	60	136	54	63	14	38	1	2			213	17	1
2015	192	2143	38	106	60	50	11	40	1	5	2		350	3	
2016	216	2656	71	140	58	45	9	42	6	8	1		445		
2017	254	2732	77	171	81	51	6	49		3	2		463		
2018	294	2639	102	266	106	60	12	35	1	7			441	3	
2019	270	2341	70	229	121	55	14	34	1	2	1		409	2	
2020	231	1922	75	198	140	47	11	31	2	5	3	3	350		
2021	233	2199	88	209	138	61	14	31	2	3	15		441		
2022	14	102	8	10	4	3	1	2					9	1	
2023	7	91	4	14	6	4	1	1					13		
2024	8	52	3	11	4	1	1	1					9		
2025	4	32	2	5	5		1						4		
2026	4	21	2	1	1								3	2	
2027	1	20	2	2				1					1	1	
2028	1	19	1	1	2	1							1		
2029	5	15	2		4	2							1		
2030	1	9			1								1		
2031	4	6		1	1	1				1			1		
2032	1	6		1									1		
2033	2	7				1									
2034					1									1	
2035		3		1											
2036	1	2			1	1									
2037		1													
Total	2435	23655	724	1822	931	576	128	395	20	39	25	7	3651	111	1
% of Total	7.03%	68.31%	2.09%	5.26%	2.69%	1.66%	0.37%	1.14%	0.06%	0.11%	0.07%	0.02%	10.54%	0.32%	0.00%

Key to Plan Type:

1. Jr/Sr - 2/2	4. Sr - 2 Yr	7. Jr - 1 Yr	10. Pr - 2 Yr	13. Sr - 5 Yr
2. Sr - 4 Yr	5. Sr - 1 Yr	8. Pr - 4 Yr	11. Pr - 1 Yr	14. Sr - 4 Yr +8Hrs
3. Sr - 3 Yr	6. Jr - 2 Yr	9. Pr - 3 Yr	12. Jr/Sr - 2/2 + 4Hrs	15. Sr - 4 Yr + 6Hrs

Sum of values may not match totals due to rounding.

TEXAS GUARANTEED TUITION PLAN

Active Contract Counts for All Enrollment Periods

As of August 31, 2020

Appendix A

Matriculation	Plan								Total	% of Total
Year	16	18	21	23	24	31	34	35		
1997									0	0.00%
1998									0	0.00%
1999									0	0.00%
2000									0	0.00%
2001									1	0.00%
2002									1	0.00%
2003									1	0.00%
2004									0	0.00%
2005									3	0.01%
2006									6	0.02%
2007									9	0.03%
2008									12	0.03%
2009									12	0.03%
2010								2	326	0.94%
2011		1				1		2	1751	5.06%
2012		1	1		1		1	6	2041	5.89%
2013			2			1	3	6	2388	6.90%
2014			1				6	2	2839	8.20%
2015	1						3	6	3011	8.70%
2016							2	4	3703	10.69%
2017			1					12	3902	11.27%
2018								11	3977	11.48%
2019			1					6	3556	10.27%
2020				1				10	3029	8.75%
2021								10	3444	9.95%
2022								1	155	0.45%
2023									141	0.41%
2024									90	0.26%
2025							1		54	0.16%
2026									34	0.10%
2027									28	0.08%
2028									26	0.08%
2029							1		30	0.09%
2030				1					13	0.04%
2031									15	0.04%
2032									9	0.03%
2033									10	0.03%
2034									2	0.01%
2035									4	0.01%
2036									5	0.01%
2037									1	0.00%
Total	1	2	6	2	1	2	17	78	34,629	100.00%
% of Total	0.00%	0.01%	0.02%	0.01%	0.00%	0.01%	0.05%	0.23%	100.00%	

Key to Plan Type:

16. Sr - 4 Yr + 4Hrs	23. Sr - 1 Yr + 2Hrs	34. Sr Add'l Year
18. Sr - 3 Yr + 6Hrs	24. Pr - 4 Yr + 8Hrs	35. Pr - 5 Yr
21. Sr - 2 Yr + 4Hrs	31. Pr - 2 Yr + 4Hrs	

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts
Matriculation Information – FY 2020 Payments to Community Colleges

Appendix B

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Community College				
Alamo Community College District	174	1,242	321,285	258.64
Alvin Community College	21	194	35,142	181.39
Amarillo College	19	196	39,072	198.90
Angelina College	9	41	11,670	285.86
Austin Community College	322	2,426	711,331	293.27
Blinn College	222	3,825	1,196,474	312.82
Brazosport College	12	117	28,887	246.63
Brookhaven College	17	75	22,191	296.25
Cedar Valley College	6	50	11,916	237.97
Central Texas College	15	117	23,238	198.27
Cisco College	4	34	9,480	279.85
Clarendon College	3	54	12,541	233.09
Coastal Bend College	5	50	18,658	371.51
College of the Mainland	8	90	13,207	147.26
Collin College	155	880	163,435	185.76
Del Mar College	40	348	83,506	240.04
Eastfield College	17	113	16,018	141.95
El Centro College	11	105	20,366	193.60
El Paso Community College	36	224	58,000	258.53
Galveston College	5	31	9,300	301.43
Grayson College	7	41	11,360	277.43
Hill College	25	101	26,614	262.36
Houston Community College	86	819	242,445	296.17
Howard College	7	83	22,162	266.93
Kilgore College	14	204	47,934	234.46
Lamar Institute of Technology	14	111	31,447	282.62
Lamar State College Orange	7	55	16,625	301.20
Lamar State College Port Arthur	4	53	18,046	338.44
Laredo Community College	15	140	45,690	326.22
Lee College	11	123	32,873	267.29
Lone Star College	191	1,063	241,459	227.12
McLennan Community College	26	261	60,064	229.73
Midland College	43	212	65,220	308.29
Mountain View College	12	97	16,800	174.04
Navarro College	21	261	57,294	219.52
North Central Texas College	66	604	197,382	326.79
North Lake College	10	84	14,614	173.04
Northeast Texas Community College	7	50	15,630	314.85
Odessa College	7	47	6,441	138.13
Panola College	3	17	5,875	338.44
Paris Junior College	12	131	27,893	212.91
Ranger College	3	30	9,050	300.63
Richland College	24	188	30,730	163.75
San Jacinto College	83	671	162,909	242.78
South Plains College	32	372	111,038	298.64
South Texas College	13	105	35,826	340.93
Southwest Texas Junior College	5	27	9,259	337.23
Tarrant County College Ft. Worth NorthWest	22	66	12,378	187.34
Tarrant County College NE Hurst	50	290	53,440	184.44
Tarrant County College SE Campus	21	165	18,746	113.66

Sum of values may not match totals due to rounding.

***Texas Guaranteed Tuition Plan Contracts
Matriculation Information – FY 2020 Payments to Community Colleges***

Appendix B

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
<i>Texas Community College</i>				
Tarrant County College South Campus	13	44	10,502	238.67
Tarrant County College Trinity River Campus	18	118	20,234	171.86
Temple College	13	115	35,401	308.90
Texarkana College	3	5	2,058	456.83
Texas Southmost College	4	48	11,504	240.28
Texas State Technical College	44	451	147,610	327.50
Texas State Technical College Waco	1	8	2,592	327.40
Trinity Valley Community College	16	196	41,513	211.35
Tyler Junior College	53	505	127,021	251.39
Vernon College	9	93	27,155	291.09
Victoria College	23	249	49,276	198.27
Weatherford College	29	317	80,633	254.35
Western Texas College	8	97	26,641	274.79
Wharton County Junior College	42	371	103,190	278.41
Total	2,218	19,299	5,138,289	266.25

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts
Matriculation Information – FY 2020 Payments to Proprietary Institutions

Appendix B

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Proprietary Institutions				
Altierus Career College Houston Bissonnet	1	45	29,700	666.65
Angelo State University Graduate Studies	4	80	27,464	343.93
Art Institute of Austin	4	98	32,718	332.70
Art Institute of Dallas	1	28	9,630	338.44
Art Institute of Houston	2	38	12,765	335.91
Auguste Escoffier School of Culinary Arts	2	84	28,429	338.44
Austin Community College Continuing Education	5	38	10,171	265.98
Blinn College TEEX Fire Academy	1	16	5,400	338.43
Blinn College Workforce Education	1	4	419	104.71
Brookhaven College Continuing Education	1	0	64	328.21
Center for Advanced Legal Studies	0	12	4,061	338.44
College of Health Care Professions Austin	4	163	46,666	286.68
College of Health Care Professions Houston NW	1	6	1,847	327.37
College of Health Care Professions San Antonio	2	101	34,335	338.44
Collin College Continuing Education	1	11	1,208	110.74
Commonwealth Institute of Funeral Service	1	27	9,113	338.45
Concorde Career College - Arlington/Grand Prairie	1	1	456	338.41
Concorde Career College - Dallas	1	14	4,738	338.44
Concorde Career College - San Antonio	3	42	14,100	338.44
Culinary Institute Alain and Marie LeNotre Houston	1	10	3,384	338.44
Galen College - San Antonio	4	108	36,691	338.44
KD Conservatory College of Film and Dramatic Arts	2	123	45,798	371.35
Kilgore College Continuing Education	5	58	10,890	186.24
Lamar University Grad & Academic Partnership	15	197	63,886	323.91
Lincoln College of Technology Dallas-Fort Worth	1	118	25,289	214.71
Lone Star College The Woodlands Continuing Education	1	10	3,429	338.43
Mediatech Institute Dallas	1	28	18,953	676.88
North Lake College Continuing Education	0	3	1,030	338.48
Park University Austin	0	27	9,037	338.45
Parker University	4	98	33,167	338.44
Pima Medical Institute - Houston	2	35	11,714	338.44
Pima Medical Institute - San Antonio	0	36	12,150	338.44
Purdue University Global	1	59	19,630	330.44
Remington College Garland	1	69	23,336	338.44
Richland College Continuing Education	0	1	413	338.52
Sam Houston State University Graduate Studies	2	34	11,596	338.44
Stephen F. Austin State University Grad	1	7	2,474	338.44
Tarleton State University Graduate Studies	0	4	1,200	338.45
Tarrant County College NE Continuing Education	0	2	600	338.41
Tarrant County College Southeast Campus Continuing Education	1	0	0	0.00
Texas A&M Commerce Professional Development	1	7	2,250	338.45
Texas A&M Engineering Extension Service TEEX	3	27	1,580	58.98
Texas A&M International University Graduate Students	4	20	8,771	440.40
Texas A&M Kingsville Distance Learning	1	16	5,400	338.43
Texas A&M University Commerce Graduate Students	11	164	55,436	337.83
Texas A&M University Corpus Christi Graduate Studies	8	73	24,608	338.44
Texas A&M University Galveston Professional Studies	1	12	4,064	338.44
Texas A&M University Graduate Studies	97	1,842	677,700	367.88
Texas A&M University Health Science Center	38	966	326,886	338.44

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts
Matriculation Information – FY 2020 Payments to Proprietary Institutions

Appendix B

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Proprietary Institutions				
Texas A&M University Kingsville Graduate Studies	4	47	15,767	338.45
Texas A&M University Study Abroad Programs Ofc	3	86	28,968	338.44
Texas A&M University Texarkana Graduates	2	16	6,210	383.53
Texas Southern University Graduate Students	3	37	12,522	338.44
Texas State University Extension Studies	4	47	15,813	335.96
Texas State University San Marcos Grad Students	23	202	74,112	366.26
Texas Tech Health Science Center El Paso	5	93	31,751	341.19
Texas Tech University Graduate Studies	40	618	212,683	344.37
Texas Tech University Health Sciences Center	67	1,673	574,543	343.52
Texas Woman's University Graduate Studies	25	246	81,865	332.23
Tyler Junior College Continuing Education	1	16	1,799	110.74
Universal Technical Institute Dallas	1	3	3,154	919.93
Universal Technical Institute Houston	4	114	38,441	338.44
Universal Technical Institute Irving	7	243	105,887	435.60
University Extension UT Austin	13	132	44,244	334.49
University of Houston Clear Lake Graduate Studies	3	40	13,538	338.44
University of Houston College of Technology CE	1	9	3,000	338.45
University of Houston Downtown Graduate Students	2	15	5,077	338.44
University of Houston Graduate Studies	13	247	125,364	507.85
University of Houston Victoria Graduate Studies	4	41	13,757	338.44
University of North Texas Graduate Students	1	49	16,552	337.76
University of North Texas Health Science Center	15	189	64,004	338.44
University of St. Augustine for Health Sciences - Austin	1	47	15,907	338.44
University of Texas at Arlington Academic Partnership	40	485	158,973	327.45
University of Texas at Arlington Graduate Studies	10	198	67,146	338.44
University of Texas at Austin Engineering Co-op Ofc	0	1	500	338.52
University of Texas at Austin Grad Students	57	1,184	439,345	371.09
University of Texas at Austin McCombs School of Business	0	7	2,369	338.44
University of Texas at Austin Study Abroad	1	63	28,201	447.64
University of Texas at Dallas Grad	32	418	150,171	359.44
University of Texas at El Paso Graduate Studies	5	86	29,111	337.32
University of Texas at San Antonio Graduate Studies	12	142	48,059	338.17
University of Texas at Tyler Graduate Studies	7	79	26,163	331.52
University of Texas Austin Professional Dell Medical Studies	2	56	19,006	338.43
University of Texas Health Science Center at Houston	29	553	190,649	344.80
University of Texas Health Science San Antonio	31	654	252,497	385.93
University of Texas Rio Grande Valley Graduate Studies	5	51	17,189	338.45
UT Dallas Study Abroad and Archer Program	1	24	8,123	338.44
UT in DC Archer Fellowship Program	1	29	9,800	338.44
Vernon College Continuing Education	0	8	2,835	338.43
Vista College Killeen	1	39	13,199	338.44
Weatherford College Continuing Ed	1	0	60	338.98
West Coast University Dallas	6	139	46,749	337.01
West Texas A&M University Education on Demand	1	46	7,198	157.98
Wharton County Junior College-Extended Studies	1	7	2,396	338.42
Total	727	13,442	4,739,343	352.57

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts

Appendix B

Matriculation Information – FY 2020 Payments to Texas Four-Year Public Universities

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Four-Year Public University				
Angelo State University	74	1,744	511,126	293.08
Lamar University	58	1,325	431,156	325.31
Midwestern State University	50	2,523	402,515	159.53
Prairie View A&M University	24	656	214,078	326.24
Sam Houston State University	290	6,759	2,283,637	337.88
Stephen F. Austin State University	250	6,351	2,127,375	334.95
Sul Ross State University	16	389	112,540	289.57
Tarleton State University	198	5,048	1,586,305	314.27
Texas A&M International University	22	549	148,991	271.59
Texas A&M University Central Texas	7	112	34,176	306.38
Texas A&M University College Station	2,160	57,060	19,568,981	342.95
Texas A&M University Commerce	72	1,767	515,862	291.91
Texas A&M University Corpus Christi	175	4,431	1,432,526	323.28
Texas A&M University Galveston	59	1,628	528,236	324.39
Texas A&M University Kingsville	51	1,330	366,214	275.30
Texas A&M University San Antonio	32	668	183,091	274.09
Texas A&M University San Antonio Grad Studies	2	4	1,310	327.39
Texas A&M University Texarkana	2	30	9,040	298.86
Texas Southern University	7	237	59,875	252.55
Texas State University San Marcos	869	43,670	7,602,390	174.09
Texas Tech University	1,060	29,261	9,981,037	341.11
Texas Woman's University	84	1,911	616,428	322.57
University of Houston	445	10,937	3,669,232	335.49
University of Houston Clear Lake	63	1,111	336,063	302.46
University of Houston Downtown	41	690	204,906	297.14
University of Houston Victoria	30	572	168,277	294.39
University of North Texas	653	14,977	5,171,189	345.27
University of North Texas at Dallas	7	99	32,683	330.13
University of Texas at Arlington	235	5,452	1,860,209	341.19
University of Texas at Austin	1,455	38,670	13,209,154	341.59
University of Texas at Dallas	333	8,006	2,811,909	351.21
University of Texas at El Paso	101	2,285	697,268	305.13
University of Texas at San Antonio	441	9,958	3,300,314	331.43
University of Texas at Tyler	106	2,546	759,539	298.32
University of Texas Permian Basin	1	23	9,409	409.10
University of Texas Rio Grande Valley	96	2,330	666,457	286.07
West Texas A&M University	82	1,854	552,941	298.25
Total	9,651	266,963	82,166,438	307.78

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts

Appendix B

Matriculation Information – FY 2020 Payments to Texas Private Institutions

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Private Institutions				
Abilene Christian University	49	1,343	474,737	353.48
Amberton University	1	14	4,860	338.42
Arlington Baptist University	1	45	15,391	338.44
Austin College	36	1,094	376,588	344.17
Baptist Health System	5	138	40,674	295.44
Baylor College of Medicine	6	158	62,391	394.61
Baylor University	299	8,107	3,134,745	386.65
College of Biblical Studies - Houston	2	26	13,494	509.30
Concordia University Austin	25	804	265,137	329.74
Criswell College	1	17	5,753	338.44
Dallas Baptist University	31	892	301,791	338.44
Dallas Christian College	1	12	4,061	338.44
Dallas Theological Seminary	5	75	27,333	365.72
East Texas Baptist University	15	365	109,636	300.38
Hardin-Simmons University	36	988	337,300	341.45
Houston Baptist University	18	466	138,308	296.98
Howard Payne University	10	190	57,473	302.49
Huston-Tillotson University	2	27	9,138	338.44
Jacksonville College	1	15	1,661	110.74
LeTourneau University	11	315	110,747	351.28
Lubbock Christian University	15	380	128,508	338.18
McMurry University	11	251	87,297	347.80
Our Lady of the Lake University	3	71	24,447	344.33
Paul Quinn College	1	35	11,756	338.45
Rice University	48	1,623	699,336	431.02
Rice University Glasscock School of	1	16	5,450	338.45
Saint Constantine School	1	13	4,500	338.45
Schreiner University	18	471	159,405	338.44
South Texas College of Law	5	125	42,352	338.44
Southern Methodist University	109	3,221	1,282,856	398.27
Southwestern Assemblies of God University	1	30	10,153	338.44
Southwestern Baptist Theological Seminary	2	17	5,753	338.44
Southwestern University	45	1,264	420,577	332.68
St. Edwards University	70	1,832	702,451	383.53
St. Mary's University	28	787	265,335	337.20
Texas Chiropractic College	1	70	23,691	338.44
Texas Christian University	139	4,044	1,530,635	378.47
Texas Lutheran University	22	685	224,545	327.80
Texas Wesleyan University	11	261	92,073	353.18
The King's University	3	65	19,373	296.61
Trinity University	62	1,748	610,064	349.09
University of Dallas	15	420	142,145	338.44
University of Mary Hardin-Baylor	43	1,115	355,104	318.53
University of North Texas at Dallas Law & Grad Studies	6	66	22,468	338.44
University of St. Thomas	12	315	106,711	338.44
University of Texas Medical Branch at Galveston	38	754	297,491	394.70

Sum of values may not match totals due to rounding.

Texas Guaranteed Tuition Plan Contracts

Appendix B

Matriculation Information – FY 2020 Payments to Texas Private Institutions

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Texas Private Institutions				
University of Texas Southwestern Medical Center at Dallas	7	100	33,762	338.44
University of the Incarnate Word	58	1,483	501,154	337.86
Wayland Baptist University	5	66	22,198	336.76
Wiley College	2	67	22,675	338.44
Total	1,337	36,487	13,345,485	365.76

Sum of values may not match totals due to rounding.

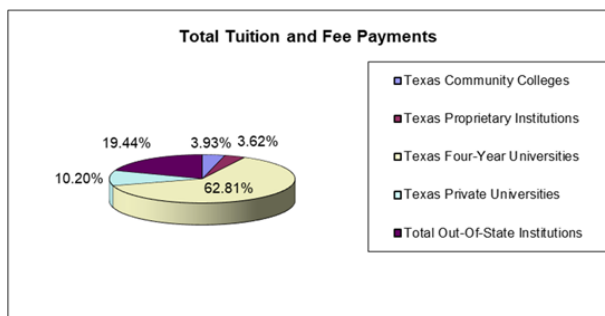
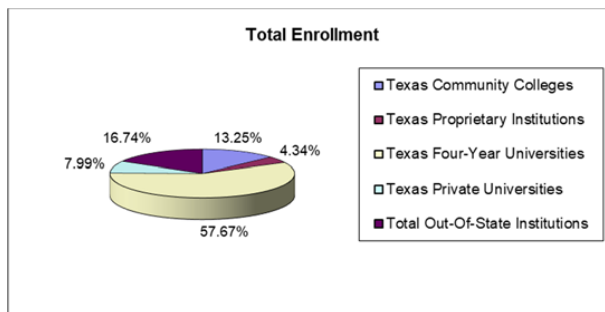
**Texas Guaranteed Tuition Plan Contracts
Matriculation Information**

Appendix B

	Number of Contracts	Semester Hours	Tuition and Fees Paid	Average Paid Per Semester Hour
Matriculation Information: Executive Summary				
Texas Universities and Colleges				
Texas Community Colleges	2,218	19,299	5,138,289	266.25
Texas Proprietary Institutions	727	13,442	4,739,343	352.57
Texas Four-Year Public Universities	9,651	266,963	82,166,438	307.78
Texas Private Institutions	1,337	36,487	13,345,485	365.76
Total Texas Institutions	13,933	336,191	105,389,555	313.48
Out-Of-State Institutions				
Out-of-State Community Colleges	99	1,187	346,944	292.28
Out-of-State Proprietary Institutions	26	495	147,559	298.39
Out-of-State Universities	1,810	46,574	16,164,250	347.07
Out-of-State Private Universities	866	23,876	8,768,124	367.23
Total Out-Of-State Institutions	2,801	72,131	25,426,878	352.51
Grand Total	16,734	408,323	130,816,433	320.38

* There are a total of 18,583 contracts in matriculation status on August 31, 2020. This is different than the total seen in the chart above due to students attending multiple schools in the same semester.

Sum of values may not match totals due to rounding.



2020

TEXAS TUITION PROMISE FUND ACTUARY'S REPORT



TEXAS TUITION
PROMISE FUNDSM

A Prepaid Plan as Smart as You Are

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TEXAS TUITION PROMISE FUND®

ACTUARY'S REPORT ON PLAN SOUNDNESS

AUGUST 31, 2020

October 2020



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Actuary's Report on Plan Soundness August 31, 2020

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Section I – Executive Summary

Plan Description

The Texas Tuition Promise Fund® plan (Plan) is a Section 529 prepaid tuition plan. It allows the contract holder to lock in the cost of undergraduate college tuition and schoolwide required fees at most Texas public colleges and universities (excluding medical and dental schools), thus providing protection against future tuition inflation. (Required fees are only those schoolwide required fees paid by all students as a condition of enrollment, regardless of year, major or course of study.)

The contract holder buys tuition units that represent a fixed amount of undergraduate resident tuition and schoolwide required fees. When the beneficiary is ready for college, all or a portion of the tuition and schoolwide required fees will be covered at four- or two-year public colleges and universities in Texas. The portion of the fees covered will vary based on the number and type of units purchased and the college or university attended.

The transfer value of tuition units can be used to help pay for tuition at Texas medical and dental institutions, private colleges in Texas, out-of-state colleges and career schools. Transfer value is limited to the lesser of (1) the costs the unit would cover at a public in-state college or university or (2) the original purchase price of the unit plus or minus the Plan's net investment earnings or losses on that account.

NorthStar Financial Services Group, LLC served as the Plan Manager in FY2020.

For a more complete Plan description, see Section III.

Adequacy of the Fund

As of August 31, 2020, the Texas Tuition Promise Fund (Plan) had a surplus of Assets over Liabilities of \$200,293,225. As of August 31, 2019, the surplus was \$145,528,782. The surplus represents the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present value of the expected future tuition and schoolwide required fees, refunds and expenses.

The table below summarizes current balances:

Assets	
Investments	\$ 1,014,641,068
Future Contract Collections	<u>136,958,241</u>
Total Assets	1,151,599,309
Liabilities and Surplus	
Future Contract Benefits and Expenses	\$ 951,306,084
Surplus (Deficit) of Assets over Liabilities	<u>200,293,225</u>
Total Liabilities and Surplus (Deficit)	1,151,599,309

The Plan's funded ratio is 121.1%, versus 116.3% for 2019.

The assumptions used to measure the adequacy of the Plan, which were approved by the Texas Prepaid Higher Education Tuition Board (Board), are stated in Section IV. The most important assumptions are:

- The investment yield;
- The rate of increase in tuition/fees;
- Withdrawal rates; and
- Expense.

Investment Yield

The investment yield is the expected long-term net earnings rate of return on the assets.

The actuarial valuation of the Plan was determined using the interest rate found in Section IV. We also assumed the Plan is exempt from federal income tax.

Because of its Plan design, the Plan is less sensitive to the investment yield assumption than typical prepaid tuition plans. If the return is higher than expected, the Plan will benefit and the schools will potentially receive up to 101% of the current tuition and schoolwide required fees at benefit redemption. But if the investment yield is unfavorable, the school will bear the risk if the beneficiary matriculates in a Texas public school, and the contract holder will bear the risk if the beneficiary matriculates in a Texas medical or dental institution, Texas private, out-of-state, or career school.

Effective January 1st of each year, if the funded ratio for the previous year end is 110% or more, the calculation of payments to Texas public colleges and universities should include consideration of a 5% assumed net return.

Rate of Increase in Tuition/Fees

The Board selected tuition and fee increase assumptions. The assumed annual increase is 6.3% for Public Senior Colleges and 5.2% for Junior Colleges.

Similar to the investment yield assumption, the Plan design drives the risk that the Plan will bear. If tuition increases are lower than expected, then the Texas public schools will have a greater likelihood of receiving the 1% tuition bonus. But if the tuition increases are greater than the investment return, the Texas public schools will bear the risk if the beneficiary matriculates to a Texas public school, and the contract holder will bear the risk if the beneficiary matriculates to a Texas medical or dental institution, Texas private, out-of-state or career school.

Future New Entrants

New contracts in future years could serve: a) to expand the base for spreading fixed expenses; and b) to ensure a large enough fund balance to invest profitably.

Although new contracts are currently being sold, it is assumed that future contracts will not be sold since the purpose of the report is to value the Plan “as is” on the valuation date.

Expense

Expenses of 0.98% are netted against the investment return. In addition, \$50,000 per year, which we assume will increase 4% per year for inflation, is included for state administration costs related to investment consulting and monitoring.

Bias Against the Plan by Purchasers and Beneficiaries

Due to the design of the Plan, no bias against the Plan is assumed. Note that the bias does exist, but either the schools or the contract holders bear the risk instead of the Plan.

Bias is the result of rational decisions by purchasers and beneficiaries. This is both expected and intrinsic to the purpose of a prepaid tuition plan. A premise of 529 plans is that the purchase of a contract will increase the commitment of the purchaser to a belief the beneficiary will become qualified to enter college and that the ownership of a contract will cause the beneficiary to be comfortable with a commitment to academic achievement.

Bias against the Plan causes the beneficiaries to matriculate in a school with tuition and schoolwide required fees that exceed the Weighted Average Tuition (WAT). The WAT is the average tuition and schoolwide fees weighted by the number of full-time equivalent students.

For many prepaid tuition plan designs, this would result in the Plan paying higher benefits than would be expected without taking bias into consideration. But under the Texas Tuition Promise Fund, Texas public schools will receive the lesser of a) the greater of the amount paid for units, plus net earnings or minus net losses, or 5% annually subject to availability of funds, or b) 101% of current tuition at the time of redemption. Under this formula, Texas public schools must accept this amount as payment of tuition and schoolwide required fees in full for the hours paid by the Plan. Therefore, it is the Texas public schools that bear the bias risk, not the Plan.

Similarly, Texas medical or dental institutions, Texas private or out-of-state colleges or career schools will receive the transfer value which is the lesser of a) redemption value of tuition units if redeemed at a Texas public college, or b) amount paid for the tuition units plus actual net earnings or minus net losses. In this case, it is the contract holder that bears the bias risk, not the Plan.

Reconciliation of Surplus

Shown below is a reconciliation of the funded status from last year to this year. The prior year surplus is moved forward with assumed investment return to determine the expected surplus. Other gains and losses include the effects of fewer cancellations than expected, new contract sales and administrative expenses different than expected.

8/31/2019 Surplus	\$ 145,528,782
Expected Increase	<u>7,788,465</u>
8/31/2020 Expected Surplus	153,317,247
Tuition Gain and (Losses)	25,218,592
Asset Gain and (Losses)	57,376,998
Other Gains and (Losses)	(8,703,440)
Total Gain and (Losses)	73,892,151
Change in Assumptions	<u>(26,916,173)</u>
8/31/2020 Surplus	200,293,225

Use of Report

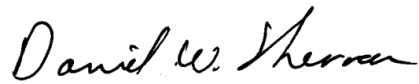
This report is prepared solely to assist the Board in evaluating the actuarial soundness of the Plan each year. The report is not intended and is not suitable for any other purpose. Accordingly, Sherman Actuarial Services does not intend this report or the data contained therein to be used as personal financial advice. Other readers of this report should consult with their own financial advisors regarding the application of this report to their particular circumstances.

Qualifications

Daniel Sherman is an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries. He has served as the actuary to the Texas prepaid tuition plans for nine years, and is the current actuary for the Alabama and West Virginia prepaid tuition plans. He meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

All assumptions were chosen by the Board. In my opinion the actuarial assumptions selected by the Board are reasonable.

SHERMAN ACTUARIAL SERVICES, LLC

A handwritten signature in black ink that reads "Daniel W. Sherman". The signature is written in a cursive, flowing style.

Daniel Sherman, ASA, MAAA
Director and Consulting Actuary

SECTION II – Summary of Contract Data and Current Assets

Contract Data

A contract inventory report as of August 31, 2020 was extracted from Plan data. The contract inventory report presents the number of units purchased by contract type and payment option.

In general, one hundred units represents one academic year of undergraduate resident tuition and schoolwide required fees at a Texas public college or university whose tuition and required fee costs closely match the pricing base of the units. The unit inventory (number of units) as of August 31, 2020 is summarized in the following table.

<i>Payment Options</i>	<i>Plans</i>			<i>Total Units</i>
	<i>Type I Units</i>	<i>Type II Units</i>	<i>Type III Units</i>	
<u>2008-13 Enrollment Periods</u>				
<i>Pay-as-you-go</i>	1,168,430	492,954	72,553	1,733,937
<i>Lump Sum</i>	1,139,100	452,250	68,800	1,660,150
<i>Extended Monthly</i>	308,975	377,700	65,800	752,475
<i>Extended Annual</i>	68,350	54,500	4,550	127,400
<i>Custom Monthly</i>	30,550	18,900		49,450
<i>Custom Annual</i>	4,600	2,300		6,900
<i>5 Year Monthly</i>	142,575	104,900	25,900	273,375
<i>5 Year Annual</i>	168,575	86,573	3,050	258,198
<i>10 Year Monthly</i>	178,825	149,300	23,100	351,225
<i>10 Year Annual</i>	70,475	41,950	2,100	114,525
<i>Total Enrollment</i>	3,280,455	1,781,327	265,853	5,327,635
<u>2014 Enrollment Period</u>				
<i>Pay-as-you-go</i>	118,222	40,407	11,593	170,222
<i>Lump Sum</i>	129,550	34,100	4,600	168,250
<i>Extended Monthly</i>	21,750	28,400	6,850	57,000
<i>Extended Annual</i>	2,550	3,400	900	6,850
<i>Custom Monthly</i>	3,150	600		3,750
<i>Custom Annual</i>	800			800
<i>5 Year Monthly</i>	8,950	5,050	2,300	16,300
<i>5 Year Annual</i>	11,825	4,000	650	16,475
<i>10 Year Monthly</i>	10,975	7,350	1,900	20,225
<i>10 Year Annual</i>	3,950	4,850		8,800
<i>Total Enrollment</i>	311,722	128,157	28,793	468,672

Sum of values may not equal the total due to rounding.

Payment Options	Plans			
	Type I Units	Type II Units	Type III Units	Total Units
<u>2015 Enrollment Period</u>				
Pay-as-you-go	99,659	46,786	4,493	150,938
Lump Sum	100,025	37,450	4,850	142,325
Extended Monthly	27,925	23,400	5,150	56,475
Extended Annual	4,475	1,800	400	6,675
Custom Monthly	650	400		1,050
Custom Annual				
5 Year Monthly	8,625	6,800	3,450	18,875
5 Year Annual	10,450	3,650		14,100
10 Year Monthly	14,075	9,650	3,200	26,925
10 Year Annual	6,125	1,150	200	7,475
Total Enrollment	272,009	131,086	21,743	424,838
<u>2016 Enrollment Period</u>				
Pay-as-you-go	88,640	29,518	7,226	125,385
Lump Sum	104,100	34,250	4,600	142,950
Extended Monthly	19,975	27,850	11,250	59,075
Extended Annual	3,650	1,800	400	5,850
Custom Monthly	700	200		900
Custom Annual				
5 Year Monthly	11,125	6,000	2,400	19,525
5 Year Annual	8,250	3,950	900	13,100
10 Year Monthly	7,900	7,700	1,900	17,500
10 Year Annual	3,850	1,250		5,100
Total Enrollment	248,190	112,518	28,676	389,385
<u>2017 Enrollment Period</u>				
Pay-as-you-go	62,269	21,834	5,961	90,063
Lump Sum	94,025	29,300	2,400	125,725
Extended Monthly	16,500	22,745	8,600	47,845
Extended Annual	2,050	1,050	400	3,500
Custom Monthly				
Custom Annual				
5 Year Monthly	11,050	5,500	1,200	17,750
5 Year Annual	6,600	1,900		8,500
10 Year Monthly	9,150	4,850	2,100	16,100
10 Year Annual	4,400	1,600		6,000
Total Enrollment	206,044	88,779	20,661	315,483

Sum of values may not equal the total due to rounding.

<i>Payment Options</i>	<i>Plans</i>			<i>Total Units</i>
	<i>Type I Units</i>	<i>Type II Units</i>	<i>Type III Units</i>	
<u><i>2018 Enrollment Period</i></u>				
<i>Pay-as-you-go</i>	39,582	22,963	5,616	68,161
<i>Lump Sum</i>	97,600	34,150	5,700	137,450
<i>Extended Monthly</i>	19,825	18,800	9,290	47,915
<i>Extended Annual</i>	4,750	3,350	550	8,650
<i>Custom Monthly</i>				
<i>Custom Annual</i>				
<i>5 Year Monthly</i>	8,450	3,450	2,800	14,700
<i>5 Year Annual</i>	6,900	4,300	200	11,400
<i>10 Year Monthly</i>	10,050	8,750	2,250	21,050
<i>10 Year Annual</i>	1,675	3,050		4,725
<i>Total Enrollment</i>	188,832	98,813	26,406	314,051

<u>2019 Enrollment Period</u>				
<i>Pay-as-you-go</i>	19,330	8,547	1,433	29,309
<i>Lump Sum</i>	77,150	34,250	13,812	125,212
<i>Extended Monthly</i>	18,525	22,290	5,950	46,765
<i>Extended Annual</i>	5,500	3,150	300	8,950
<i>Custom Monthly</i>				
<i>Custom Annual</i>				
<i>5 Year Monthly</i>	6,525	5,550	3,500	15,575
<i>5 Year Annual</i>	7,750	5,850	200	13,800
<i>10 Year Monthly</i>	6,400	7,850	2,750	17,000
<i>10 Year Annual</i>	3,450	2,300	150	5,900
<i>Total Enrollment</i>	144,630	89,787	28,095	262,511

<u>Total Enrollment Inception to date</u>				
<i>Pay-as-you-go</i>	1,596,131	663,009	108,875	2,368,015
<i>Lump Sum</i>	1,741,550	655,750	104,762	2,502,062
<i>Extended Monthly</i>	433,475	521,185	112,890	1,067,550
<i>Extended Annual</i>	91,325	69,050	7,500	167,875
<i>Custom Monthly</i>	35,050	20,100		55,150
<i>Custom Annual</i>	5,400	2,300		7,700
<i>5 Year Monthly</i>	197,300	137,250	41,550	376,100
<i>5 Year Annual</i>	220,350	110,223	5,000	335,573
<i>10 Year Monthly</i>	237,375	195,450	37,200	470,025
<i>10 Year Annual</i>	93,925	56,150	2,450	152,525
<i>Total Enrollment</i>	4,651,881	2,430,467	420,227	7,502,575

Sum of values may not equal the total due to rounding.

The number of active contracts (for all enrollment years combined) by plan type and projected year of matriculation is included in Appendix A.

Current Assets

The value of the assets held by the Plan as of August 31, 2020 is \$1,014,641,068. Total assets do not include investment transfers receivable, tuition contracts receivable or the related obligations for those assets.

Assets held as of August 31, 2020:

Investments	\$1,015,123,684
Cash and cash equivalents	0
Dividends receivable	0
Other Receivables	0
Administrative fees payable	(0)
Management fees payable	(482,616)
Other payables	(0)
Payable for securities purchased	(0)
Total Assets	\$1,014,641,068

It is assumed that this mix will produce a net annual investment return of 4.85% in fiscal year 2020, as developed below.

Investment Return Assumption	5.83%
Less Expenses	<u>(0.98%)</u>
Net Annual Investment Return	4.85%

SECTION III – Plan Description

Overview

The Texas Tuition Promise Fund (Plan) is an Internal Revenue Code Section 529 prepaid tuition plan. It allows the contract holder to lock in the cost of undergraduate resident college tuition and schoolwide required fees at Texas public colleges and universities (excluding medical and dental schools), thus providing protection against future tuition inflation.

The contract holder buys tuition units that represent a fixed amount of undergraduate resident tuition and schoolwide required fees. When the beneficiary is ready for college, all or a portion of the tuition and schoolwide required fees will be covered at eligible four- or two-year public colleges and universities in Texas. The portion of the tuition and schoolwide fees covered will vary based on the number and type of units purchased, the college or university attended, and the hours enrolled. If the beneficiary attends a Texas medical or dental institution, an eligible career school, Texas private college, or out-of-state college, the transfer value is paid. The transfer value is the lesser of 1) the costs the units would cover at a public in-state college, or 2) the price paid for the units plus or minus net earnings or losses on that amount.

Eligibility

At the time of enrollment in the Plan, the beneficiary must be a Texas resident or his/her parent must be both the purchaser and a Texas resident.

Tuition Units

Tuition units represent a fixed portion of undergraduate resident tuition and schoolwide required fees charged by Texas public colleges and universities. The Plan offers three types of tuition units: Type I, Type II, and Type III.

➤ Type I Tuition Units

The value of Type I tuition units is based on undergraduate resident college tuition and schoolwide required fees at the eligible Texas four-year public college or university (excluding Texas medical and dental institutions) with the highest tuition and schoolwide required fee costs in the year of redemption. 100 Type I units will pay for 30 semester hours assuming 15 hours per semester at the most expensive Texas public 4-year school (excluding Texas medical and dental institutions). If the units are redeemed at a less expensive school, more hours would be paid by 100 units.

➤ Type II Tuition Units

The value of Type II tuition units is based on the weighted average cost of undergraduate resident tuition and schoolwide required fees charged by eligible Texas four-year public colleges or universities (excluding Texas medical and dental institutions) in the year of redemption. Unlike the Type I units, this unit type does not cover the full tuition and schoolwide required fees at all Texas public four-year colleges or universities if the institution's costs are above the weighted average cost.

➤ Type III Tuition Units

The value of Type III tuition units is based on the weighted average cost of in-district resident tuition and schoolwide required fees charged by all eligible Texas public junior and community colleges and public technical institutes in the year of redemption. This unit type does not cover the full tuition and schoolwide required fees at all Texas junior and community colleges and public technical institutes if the costs of the institution are above the weighted average.

Any combination of units (Type I, Type II or Type III) may be redeemed at any eligible Texas public school. However, the benefit paid will depend on the type of unit, the number of units, the school selected, and the hours enrolled.

Payment Plans

The Plan offers three types of payment plans: Lump Sum, Installment, and Pay-As-You-Go:

- **Lump Sum**
 - Can purchase up to the current dollar equivalent of 600 Type I tuition units in one lump sum payment.
- **Installment Plan**
 - Pay every month or once a year.
 - Payment period of 5 years, 10 years, or the number of years until the beneficiary's projected high school graduation date.
 - Minimum of 25 Type I tuition units or 50 Type II or Type III tuition units.
 - Maximum of the then-current dollar equivalent of 600 Type I tuition units.
 - No prepayment penalties.
 - Subject to an annual interest component charge.
- **Pay-As-You-Go**
 - Contract holder can buy tuition units after establishing a contract by paying the application fee and purchasing at least one unit of any type.
 - Additional increments as small as \$15 after a minimum purchase of one unit.
 - Pay the then-current unit price in effect at the time payment is received (unit prices are updated on September 1 of each year).
 - Maximum total purchase of up to the dollar equivalent of 600 Type I tuition units.

Redemption of Units

- Three year holding period – Tuition units cannot be used earlier than the third anniversary of the date the tuition unit was purchased.
- Units must be paid in full prior to use.
- Texas public colleges will receive lesser of
 - a) Amount paid for units, plus earnings, or
 - Earnings = greater of actual net return or net loss on investments or 5% return on investments, subject to the availability of money in the fund for that purpose.
 - b) 101% of current tuition and schoolwide required fees at the time of redemption.
- Private or out-of-state colleges or career schools will receive lesser of
 - a) Redemption value of tuition units if redeemed at a Texas public college, or
 - b) Amount paid for the tuition units plus or minus actual net earnings or net losses.

Refund Scenarios

There are three types of refund calculations: Reduced Refund Value, Transfer Value, and Refund Value.

- **Reduced Refund Value**

This is the refund value for voluntary cancellations before the end of the three-year holding period, cancellations due to default, or automatic cancellations. The calculation is the lesser of:

 - a) the purchase price of unused tuition units, or

- b) the purchase price plus or minus net earnings or losses on that amount.

If the fund had a net negative return over the term that the contract was held, the “reduced refund value” would be less than the purchase price. No net earnings are paid.

➤ **Transfer Value**

This is the refund value for transfers to another qualified 529 or ABLE plan (Texas or otherwise) or the amount paid if the beneficiary attends a Texas medical or dental institution, an eligible career school, Texas private college or out-of-state college. The calculation is the lesser of:

- a) The current tuition unit redemption value of the units being transferred, or
- b) The price paid for the units plus or minus net earnings or losses on that amount.

➤ **Refund Value**

This is the refund value for voluntary cancellations after the three-year holding period is met, cancellations due to death or disability of the beneficiary, or unused tuition units. The calculation is the purchase price of unused tuition units plus or minus net earnings or losses at a rate of return set by the Board. At August 31, 2020 this rate is capped at 2% less than the actual fund earnings or 5%, whichever is less. Earnings may be paid with a refund only if the Board determines that such payments will not adversely affect the actuarial soundness of the Plan.

- **Purchase Price** – The actual dollar amount (contributions) paid into the contract, excluding amounts applied to administrative fees (e.g. account setup fee, late fees, return payment fees).
- **Market Value** – The total purchase price paid for any unused tuition units, plus the portion of the total net earnings or losses on assets of the Plan attributable to that amount.
- **Redemption Value** – The current payout rate of the unit type being redeemed multiplied by the number of units.

For a complete description of the Plan, see the Plan Description and Master Agreement at www.texas tuition promise fund.com. In the event of differences between the Plan Description and any information presented in this report, the Plan Description would control.

SECTION IV – Actuarial Methods and Assumptions

Actuarial Methods

The actuarial method projects the expected future cash flows from contract payments, tuition and refund benefits and expense. These projected future cash flows are discounted to the present and compared to the market value of the assets to indicate the soundness of the Plan.

The development of the measurement of soundness has six stages:

Project unit costs through the expected term of the contracts, based on assumptions as to future tuition increases;

Determine the nominal cost of expected future tuition based on the contract inventory and assumptions as to voluntary surrender and utilization of benefits;

Determine the nominal cost of expected future administrative expenses, based on the contract inventory and the records administration fee schedule, as well as assumptions as to inflation and utilization of benefits;

Project future contract payments based on the contracts and voluntary surrender assumption;

Determine the present value of expected future benefits, expenses and contract payments, using a discount rate equal to the assumed rate of return on Plan assets;

As the indication of soundness, measure the surplus or deficit, which is the difference between the sum of the market value of the assets and the present value of the expected future contract payments and the sum of the present values of the expected future tuition and schoolwide required fees, refunds and expenses.

Actuarial Assumptions

The assumptions were approved by the Board.

Federal Income Tax

We assume the income of the Plan is exempt from Federal Income Tax.

Tuition/Fee Increase

Assumed annual increases in future tuition and schoolwide required fees are:

Public Senior College	Junior College
6.3%	5.2%

Tuition/Fee Levels for the 2020-2021 enrollment year:

Type I: \$151.64/unit

Type II: \$108.35/unit

Type III: \$28.81/unit

Investment Yield

Expenses of 0.98% are netted against the Investment Return Assumption of 5.83%, leaving a Net Annual Investment Return of 4.85% per year.

Expenses

Expenses of 0.98% are netted against the investment return. In addition, \$50,000 per year, which we assume will increase 4% per year for inflation, is included for state administrative costs for investment reporting and monitoring.

Future Participation in the Plan

Although new contracts are currently being sold, it is assumed that future contracts will not be sold since the purpose of the report is to value the Plan “as is” on the valuation date.

Mortality and Disability

Due to the transferability of the contract, there is no mortality or disability assumption.

Early Voluntary Surrender of Contract

We assumed the following percentages of the public senior college contracts in effect at the beginning of the year would be surrendered during the year. This is based on a 2016 Experience Study:

Years From Purchase	Lump Sum	Five-Year Payments	Ten-Year Payments	Extended Payments
1 to 2	0.00%	0.00%	0.00%	0.00%
2 to 3	1.75%	3.50%	2.50%	3.75%
3 to 4	1.00%	1.00%	1.75%	1.50%
4 to 5	1.00%	1.00%	1.00%	1.00%
5 to 6	1.00%	1.00%	1.00%	1.00%
After 6 Years	1.00%	1.00%	1.00%	1.00%

Matriculation Percent

We assumed the beneficiary of a contract, not voluntarily surrendered, matriculates in the year of high school graduation.

Utilization of Credits

We assumed beneficiaries will use all units necessary to cover the tuition cost of each year as it occurs. For example, if 300 Type II units are available for use at the beginning of year one, 100 will be used in each of the first three years.

Frequency of Beneficiary Replacement

We assumed no replacement of beneficiaries.

Bias Against the Plan by Purchasers and Beneficiaries

Due to the design of the Plan, no bias against the Plan is assumed.

SECTION V – Soundness of the Plan as of August 31, 2020

As a measure of the soundness of the Plan as of August 31, 2020, we determined the difference between the value of the assets and the actuarial present value of the future contract payments and the actuarial present value of future benefits and expenses. This measurement of soundness is summarized on the following pages.

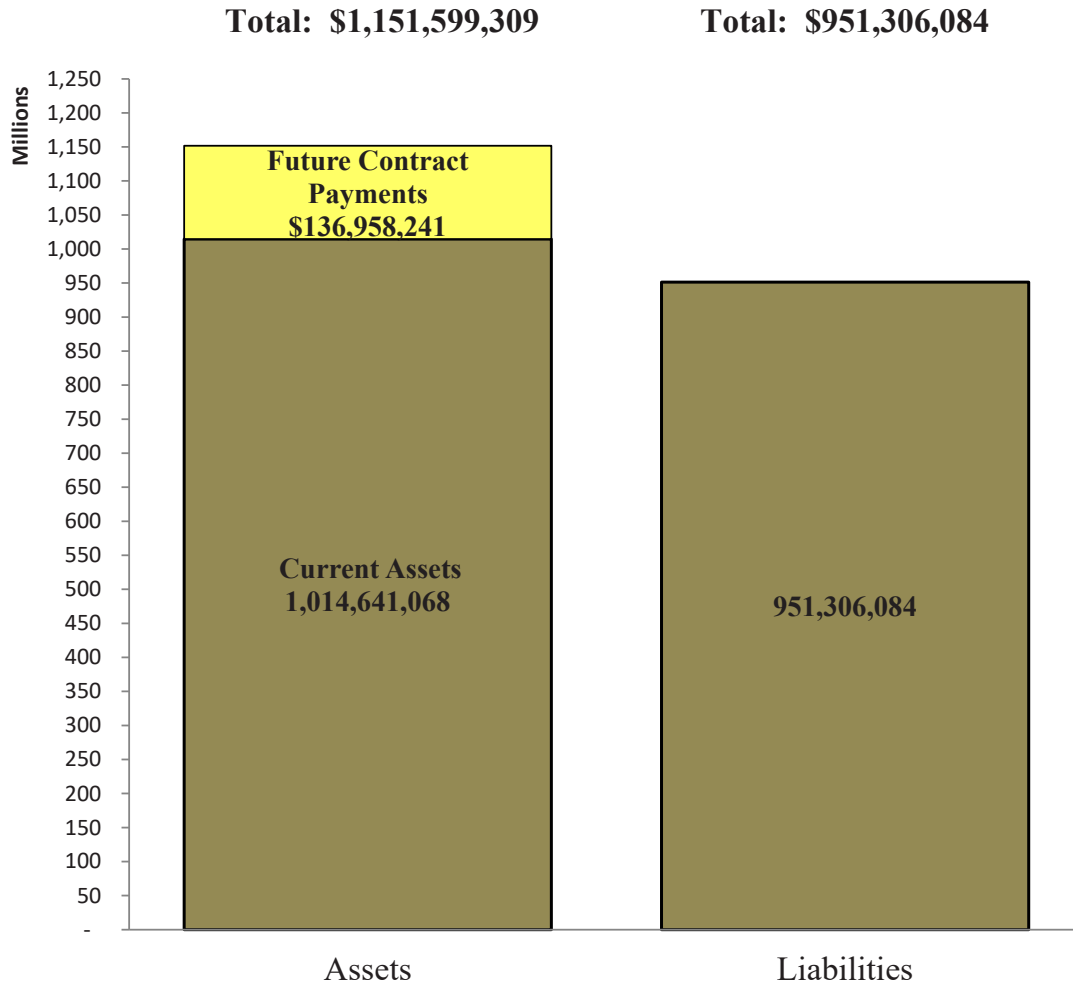
A projection of the status of the Plan at each future anniversary date through the life of these contracts is presented on page 17, labeled Present Value of Assets and Liabilities.

The projections of future benefits and expenses and contract payments are presented on page 18, labeled Expected Annual Cash Flows.

Our measurement of the present value and projection are based on asset and contract information provided by the Plan Manager and on the assumptions chosen by the Board.

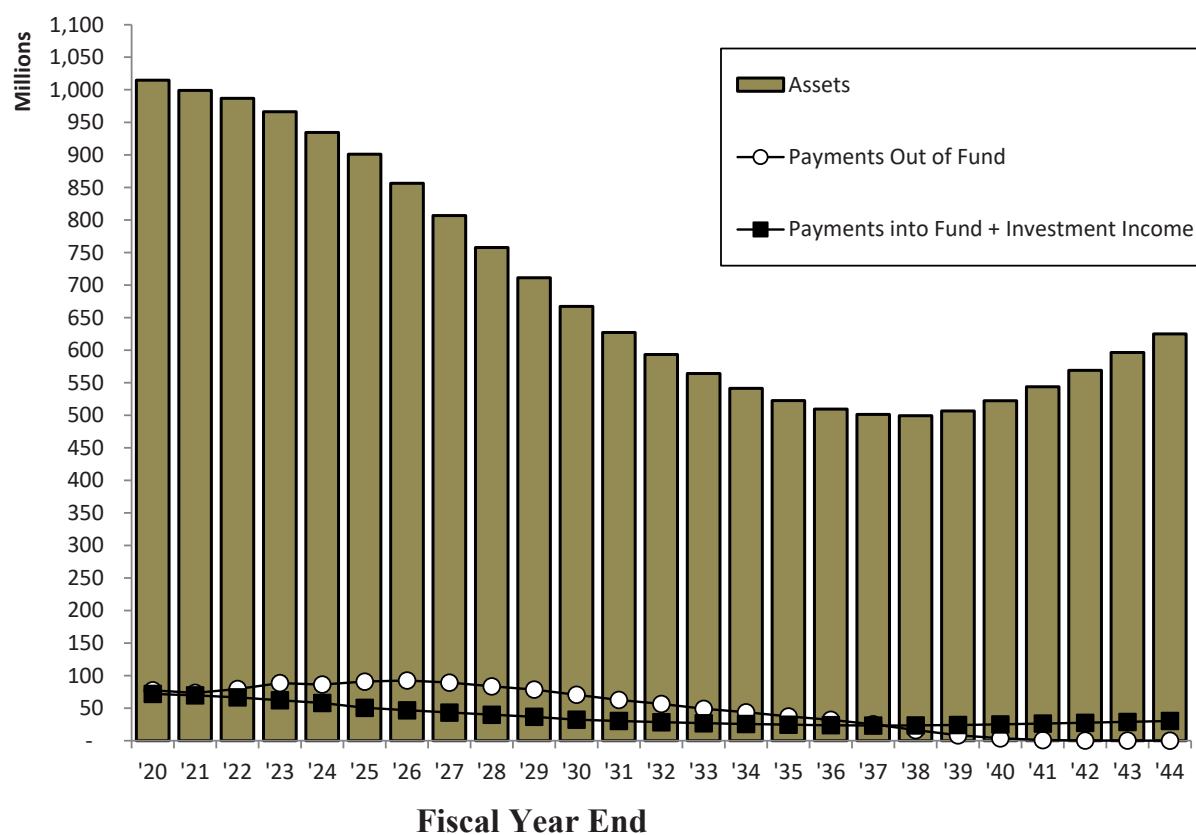
Funded Status

The value of the trust fund exceeds the value of liabilities as of August 31, 2020 (including the value of future payments by contract purchasers) by \$200,293,225. The funded ratio, assets divided by liabilities, is equal to 121.1%. Assets do not include investment transfers receivable or the related obligations for those assets. The assumptions used to perform the actuarial valuation of the fund were approved by the Board and are described in Section IV.



Cash Flow Projection

The expected income and disbursements of the trust fund, based on the assumptions used in the actuarial valuation, and the current group of contract beneficiaries, are shown below. These amounts are cash amounts, not present value amounts.



Present Value of Assets and Liabilities

8/31 of Year	Present Value of Future Benefit and Expenses	Value of Assets and Present Value of Future Collections	Assets over Liabilities
2020	951,306,084	1,151,599,309	200,293,225
2021	905,759,713	1,115,769,584	210,009,872
2022	863,768,312	1,083,966,184	220,197,872
2023	814,187,589	1,045,067,681	230,880,092
2024	755,056,765	997,137,270	242,080,504
2025	695,931,834	949,756,079	253,824,246
2026	629,712,491	895,850,163	266,137,672
2027	559,227,490	838,275,908	279,048,417
2028	489,331,721	781,917,177	292,585,457
2029	422,617,516	729,396,687	306,779,170
2030	358,371,998	680,033,410	321,661,412
2031	299,802,619	637,068,198	337,265,580
2032	247,077,521	600,704,214	353,626,693
2033	198,605,027	569,386,498	370,781,470
2034	155,994,373	544,762,783	388,768,410
2035	117,082,151	524,710,028	407,627,877
2036	83,227,318	510,629,514	427,402,196
2037	53,450,551	501,586,296	448,135,745
2038	29,454,900	499,329,952	469,875,052
2039	13,789,341	506,458,246	492,668,904
2040	5,687,030	522,255,485	516,568,455
2041	2,084,942	543,712,281	541,627,339
2042	1,129,014	569,030,805	567,901,791
2043	876,100	596,326,875	595,450,775
2044	675,685	625,011,800	624,336,114

Sum of values may not equal the total due to rounding.

Expected Annual Cash Flows

Fiscal Year Ending	Benefit Payments and Expenses	Contract Payment Receipts	Annual Cash Flow
2021	87,443,697	25,680,559	(61,763,138)
2022	81,946,349	24,095,586	(57,850,763)
2023	87,242,237	21,885,909	(65,356,329)
2024	94,057,150	19,011,479	(75,045,671)
2025	91,316,342	16,258,921	(75,057,421)
2026	95,347,674	11,017,421	(84,330,253)
2027	96,352,939	9,544,817	(86,808,122)
2028	92,530,570	8,197,348	(84,333,222)
2029	86,263,035	7,007,007	(79,256,029)
2030	80,822,573	5,934,537	(74,888,035)
2031	72,437,216	3,367,274	(69,069,942)
2032	64,154,053	2,879,399	(61,274,654)
2033	57,659,279	2,377,657	(55,281,621)
2034	49,826,417	1,896,633	(47,929,784)
2035	44,328,039	1,464,250	(42,863,790)
2036	37,704,642	1,125,149	(36,579,492)
2037	32,249,206	768,876	(31,480,330)
2038	25,358,133	317,517	(25,040,617)
2039	16,303,406	44,812	(16,258,594)
2040	8,365,374	-	(8,365,374)
2041	3,698,530	-	(3,698,530)
2042	1,008,153	-	(1,008,153)
2043	293,439	-	(293,439)
2044	231,670	-	(231,670)

Sum of values may not equal the total due to rounding.

Note: The amounts shown above are annual expected amounts for the year corresponding to the “Fiscal Year Ending” column. They are not cumulative amounts. In addition, Payment Receipts are frontloaded. Therefore, the Expected Annual Cash Flows project positive cash flows in the early years and negative in the later years. It is expected that positive cash flows prior to Fiscal Year Ending 2020 would be invested to cover the negative cash flows in future years.

SECTION VI – Sensitivity Testing

The Plan operates under conditions of risk and uncertainty. For example, while it is assumed the assets of the fund will earn the annual net rate found in Section IV, we also expect actual returns to vary from year to year. To accept the reasonableness of the basis for the measurement of the soundness, it is useful to know how the status of the fund may be affected by the vagaries of the markets and other factors. We have rerun the valuation under the following alternative scenarios, and the assets over liabilities as of August 31, 2020 under each of these scenarios are presented in the following table:

Scenarios	Assets over Liabilities
Baseline assumptions used in valuation	200,293,225
Tuition increases are 25 basis points higher in each future year than assumed	192,376,055
The investment return is 25 basis points lower than assumed	187,256,512
Tuition increases are 25 basis points higher in each future year and the investment return is 25 basis points lower than assumed	179,203,487
Tuition increases are 25 basis points lower in each future year than assumed	208,965,026
Tuition increases are 25 basis points lower in each future year and the investment return is 25 basis points lower than assumed	196,089,247
The investment return is 50 basis points lower than assumed	173,867,082
The investment return is 75 basis points lower than assumed	160,112,967
The investment return is 100 basis points lower than assumed	145,981,704
Tuition increases are 50 basis points higher in each future year than assumed	185,117,587
Tuition increases are 75 basis points higher in each future year than assumed	178,432,361
Tuition increases are 100 basis points higher in each future year than assumed	172,262,953

TEXAS TUITION PROMISE FUND

Active Contract Counts for All Enrollment Periods – Appendix A As of August 31, 2020

Matriculation Year	Plan			
	Type I	Type II	Type III	Total
2012	252	183	22	457
2013	338	244	42	624
2014	390	274	37	701
2015	542	397	58	997
2016	705	435	77	1,217
2017	804	494	110	1,408
2018	1,070	548	83	1,701
2019	1,038	616	110	1,764
2020	1,113	614	130	1,857
2021	1,258	704	125	2,087
2022	1,525	861	175	2,561
2023	1,649	889	147	2,685
2024	1,480	758	128	2,366
2025	1,490	788	174	2,452
2026	1,463	730	150	2,343
2027	1,372	663	133	2,168
2028	1,154	545	109	1,808
2029	1,039	523	99	1,661
2030	921	422	84	1,427
2031	778	381	106	1,265
2032	713	366	100	1,179
2033	592	327	75	994
2034	543	257	67	867
2035	436	213	46	695
2036	371	175	42	588
2037	263	120	38	421
2038	105	65	17	187
Total	23,404	12,592	2,484	38,480

TEXAS TUITION PROMISE FUND

Active Contract Counts for All Enrollment Periods – Appendix A

As of August 31, 2020

Matriculation Year	Number of Type I Units													
	25	50	100	150	200	250	300	350	400	450	500	550	600	PAYG*
2012	1	7	27	6	43	7	23	5	27	3			1	102
2013	6	13	43	11	51	10	20	10	37	2			2	133
2014	12	15	43	13	51	13	29	9	47	5	2		1	150
2015	14	18	61	17	53	12	32	6	88	4	2		2	233
2016	15	27	91	15	93	18	25	18	102	5	4		10	282
2017	17	20	89	25	76	15	40	30	138	4	7		5	338
2018	13	26	103	42	96	24	53	28	196	5	2	2	7	473
2019	27	21	118	28	83	18	54	31	172	9	8		8	461
2020	21	32	118	21	107	11	75	27	202	7	7	1	5	479
2021	30	53	140	34	113	19	53	38	206	4	10		7	551
2022	30	44	129	40	137	32	73	37	267	25	16	1	12	682
2023	28	61	159	24	153	38	62	42	285	20	18	1	12	746
2024	35	53	145	36	120	24	67	33	226	18	15	1	12	695
2025	34	61	142	32	145	31	51	34	218	17	17	2	7	699
2026	45	56	132	38	98	28	53	40	216	14	12	2	6	723
2027	47	60	130	29	101	22	52	26	189	15	9	1	11	680
2028	33	43	102	22	76	13	45	27	147	10	11		6	619
2029	14	34	84	14	85	24	29	24	131	10	9		2	579
2030	22	39	87	19	59	8	35	21	126	8	5	2	4	486
2031	27	23	68	10	61	12	19	9	99	4	3		5	438
2032	20	26	65	15	43	8	19	14	80	3	8		3	409
2033	18	16	47	10	42	7	21	16	83	7	6		2	317
2034	10	34	51	13	29	5	13	15	78	6	6		1	282
2035	16	21	40	8	30	5	12	13	64	3	3		1	220
2036	14	23	30	7	19	5	16	12	57		3		3	182
2037	11	10	25	6	21	2	9	6	49	1			2	121
2038	2	4	10	5	6	2	1	7	12	1			1	54
Total	562	840	2,279	540	1,991	413	981	578	3,542	210	183	13	138	11,134

* Pay-as-you-go contracts

TEXAS TUITION PROMISE FUND

Active Contract Counts for All Enrollment Periods – Appendix A As of August 31, 2020

Matriculation Year	Number of Type II Units													
	50	100	150	200	250	300	350	400	450	500	550	600	MAX	PAYG*
2012	4	27	7	30	8	18	3	18	3	2		1		62
2013	10	36	13	28	7	12	8	39	2	2				87
2014	15	35	8	44	6	16	6	32	5	3				104
2015	22	47	8	63	9	14	11	59	2	3	1	1		157
2016	16	52	11	70	11	20	6	58	10	4				177
2017	26	50	17	70	13	21	6	76	6	2		2		205
2018	30	49	21	61	12	21	7	75	11	4			1	256
2019	23	62	19	78	9	36	6	88	15	4		1		275
2020	19	57	24	74	10	35	4	98	12	1				280
2021	34	64	14	78	13	44	9	101	4	4		1		338
2022	30	80	28	102	21	38	10	150	21	10	3			368
2023	40	88	25	108	20	46	11	166	20	8	3			354
2024	34	93	20	81	21	27	9	125	16	10	1			321
2025	26	106	18	114	15	25	8	126	18	7	2	2		321
2026	28	76	13	93	14	30	6	121	21	5	1	1	1	320
2027	33	75	22	72	19	24	5	89	18	10	2	2		292
2028	30	45	15	73	13	22	9	87	9	4				238
2029	29	51	9	60	15	15	7	70	13	5		2	1	246
2030	24	43	8	54	8	17	3	57	14	3				191
2031	28	39	11	51	13	12	2	57	4	3		1		160
2032	12	33	11	42	9	10	1	44	8	4	2			190
2033	15	35	4	39	5	6	4	48	5	4		1		161
2034	20	24	6	26	7	10	2	36	2	3				121
2035	8	29	2	16	5	9	2	32	4	1				105
2036	9	17	6	16	5	3		26	4					89
2037	5	12	6	11	2	3	2	28	4					47
2038		15	2	7	2	4		14	3					18
Total	570	1,340	348	1,561	292	538	147	1,920	254	106	15	15	3	5,483

* Pay-as-you-go contracts

TEXAS TUITION PROMISE FUND

Active Contract Counts for All Enrollment Periods – Appendix A

As of August 31, 2020

Matriculation Year	Number of Type III Units													
	50	100	150	200	250	300	350	400	450	500	550	600	Max	PAYG*
2012	1	3		10	1									7
2013		6	1	21		1		1		1				11
2014		7	2	17	3									8
2015	2	5	1	28	2	1	1		1					17
2016	2	18	1	25	4			2						25
2017	5	19	3	41	1	1								40
2018	2	13	2	26	1		1	3						35
2019	2	16	2	39	1			1				2		47
2020	7	11	4	45	3	3	1	2	2	1		2		49
2021	7	8	4	51	2	1		2				2		48
2022	8	18	13	68	3	2	1	6				2		54
2023	5	16	3	50	4	2		3				1		63
2024	4	13	6	40	4	3		6						52
2025	8	19	9	56	2	2	2	6	1					69
2026	6	15	4	47	5	2		10	1			1		59
2027	3	20	8	40	3	2		7	1	1		2		46
2028	3	13	7	41	1	1		2	2	1				38
2029	3	5	6	32	4	2	2	4					1	40
2030	4	9	3	26	4			2	3		1			32
2031	4	11	6	35	2		1	5	1			2		39
2032	2	11	4	30	5	2		5		1		1		39
2033	7	3	4	27	1	2	2	2						27
2034	2	10	2	23	3		1	1						25
2035	4	3	3	13				2	1					20
2036	1	3		15	3	1		2	1					16
2037		4	1	11		1	1			1	1		3	15
2038				6				1						10
Total	92	279	99	863	62	29	13	75	14	6	2	15	4	931

* Pay-as-you-go contracts

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
Abilene Christian University	699.031	85,002
Adams State University	119.105	3,197
Alamo Comm Coll	46.384	7,650
Alvin Community College	75.629	8,138
Amarillo College	173.743	9,839
American Musical and Dramatic Academy - NY	136.820	20,222
Angelina College	6.359	949
Angelo State University	1,200.997	131,048
Appalachian State University	106.675	11,259
Arizona State University	201.968	29,851
Arkansas Tech University	42.743	6,207
Arlington Baptist College	90.891	13,434
Art Institute of Dallas	110.865	11,701
Asheville-Buncombe Technical Community Colleg	36.348	3,836
Auburn University	334.279	49,231
Austin College	351.478	48,870
Austin Comm Coll	983.756	100,810
Baptist Health System	88.944	12,900
Barnard College	116.873	17,274
Baylor University	4,349.550	559,440
Belmont University	245.602	31,018
Berklee College of Music	167.997	24,830
Bethel University	100.000	10,554
Bismarck State College	7.476	1,105
Blinn College	2,598.712	271,657
Boise State University	59.446	6,274
Boston College	49.255	7,280
Boston University	100.000	14,780
Brazosport College	53.948	1,462
Brigham Young University Utah	21.604	2,280
Brookhaven College	6.383	753
Brown University	358.098	52,927
Butler University	200.000	30,455
California Institute of Technology	129.282	19,108
California Polytechnic State University	50.175	7,416
California State University Long Beach	76.037	8,025
Cameron University	57.157	8,448
Carnegie Mellon University	100.000	12,667
Case Western Reserve University	81.353	12,024
Cedar Valley College	6.318	911
Centenary College of Louisiana	244.000	11,871
Central Texas College	71.976	9,359
City University of New York Hunter College	45.457	6,719
Clarendon College	11.874	1,266
Clemson University	50.000	7,390
Coastal Bend College	15.282	2,212
College of the Mainland	5.997	895

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
Collin College	835.744	55,012
Colorado Mesa University	43.632	6,449
Colorado School of Mines	646.332	83,387
Colorado State University	774.068	101,307
Columbia College Chicago	193.790	27,322
Columbia University	30.208	3,188
Concorde Career College - San Antonio	100.000	10,554
Concordia University Austin	346.025	37,795
Concordia University California	50.000	7,390
Culinary Institute of America	321.357	47,497
Dallas Baptist University	504.397	61,914
Dallas Institute of Funeral Service	18.403	2,720
Dartmouth College	159.457	23,568
Del Mar College	9.482	1,571
DePaul University	149.109	22,038
DigiPen Institute of Technology	159.181	16,800
Drake University	99.857	14,759
East Texas Baptist University	114.139	12,046
Eastfield College	14.723	1,570
El Paso Comm Coll	91.048	12,630
Embry-Riddle Aeronautical University Florida	137.256	14,486
Emory University	50.000	7,390
Florida Atlantic University	14.868	2,198
Florida State University	81.667	8,619
Fordham University	559.278	82,661
Fort Lewis College	100.000	14,780
Front Range Community College	114.320	16,896
Full Sail University	43.613	4,603
Galen College - San Antonio	383.200	15,889
George Mason University	58.335	8,622
Georgia Institute of Technology	318.249	46,986
Grand Canyon University	20.906	2,206
Grayson County College	15.214	2,271
Grove City College	264.685	27,935
Harding University	18.843	2,785
Hardin-Simmons University	319.381	37,988
Harvard University	740.847	101,046
Hastings College	4.206	113
Houston Baptist University	356.602	40,681
Houston Comm Coll	486.785	54,633
Howard College	19.992	2,131
Howard Payne University	116.345	14,824
Indiana University Bloomington	207.846	28,511
John Carroll University	95.330	14,090
Kansas City Art Institute	57.675	6,087
Kansas State University	247.385	36,564
Kent State University	93.139	13,766
Lamar University	670.015	88,003

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
Laredo Comm Coll	76.794	4,212
Le Tourneau University	7.307	1,080
Lee College	34.260	3,652
Lehigh University	220.000	23,219
LeTourneau University School of Graduate and	101.317	10,693
Liberty University	74.533	9,932
Lincoln Technical Institute, TX	21.896	2,311
Lone Star College System District	343.111	37,888
Louisiana State University	393.772	58,200
Louisiana State University Health Science Cen	36.602	5,410
Louisiana State University Shreveport	61.945	6,538
Louisiana Tech University	39.979	5,909
Maryland Institute College of Art	111.738	16,515
Marymount Manhattan College	127.905	13,499
Massachusetts Institute of Technology	727.343	97,241
McLennan Comm Coll	183.333	11,533
McMurry University	120.807	12,750
McNeese State University	60.708	6,407
Michigan Technological University	256.214	27,041
Mid-America Christian University	21.974	3,248
Midland College	33.816	4,681
Midwestern State University	504.312	57,354
Mississippi State University	205.266	21,664
Moberly Area Community College	14.411	2,130
Mount Holyoke College	195.007	28,822
Mountain View College	62.271	4,324
Navarro College	23.703	2,010
New Mexico State University - Las Cruces	28.295	4,182
New Orleans Baptist Theological Seminary	35.436	3,740
New York University	841.868	107,524
Newschool of Architecture & Design	124.010	17,781
North American University	15.047	1,588
North Central Texas College	353.762	45,820
North Dakota State University	69.413	10,259
North Lake College	96.249	11,431
Northeast Lakeview College	109.398	8,287
NorthWest Arkansas Community College	15.986	1,687
Northwest Vista College	311.774	32,327
Northwestern University	100.000	14,063
Odessa College	19.715	2,082
Ohio State University	308.308	45,568
Oklahoma Baptist University	342.328	25,745
Oklahoma Christian University	207.475	24,562
Oklahoma City University	171.684	25,375
Oklahoma State University	1,609.991	208,095
Otterbein College	58.100	8,587
Ouachita Baptist University	100.000	10,554
Pace University Pleasantville Briarcliff Camp	100.000	14,780

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
Palo Alto College	100.750	3,917
Paris Junior College	29.788	3,175
Paul Quinn College	28.647	3,024
Penn State	128.933	19,056
Penn State University	22.549	3,333
Prairie View A&M University	479.316	56,542
Princeton University	82.790	12,237
Purdue University	293.724	43,412
Rhode Island School of Design	281.000	41,532
Rhodes College	66.463	8,071
Rice University	2,020.086	282,456
Richland College	58.050	4,620
Rider University	58.000	6,121
Rochester Institute of Technology	154.458	22,829
Rutgers University	60.000	8,868
Sam Houston State University	3,056.731	328,001
Samford University	224.344	33,158
San Antonio College	223.511	11,878
San Jacinto College Central	717.054	45,872
Savannah College of Art and Design	136.270	20,141
Schreiner University	30.000	4,434
South Dakota School of Mines and Technology	98.427	14,545
South Plains College	169.751	19,049
South Texas College	93.568	13,311
Southeastern Oklahoma State University	154.822	16,340
Southern Methodist University	671.287	98,061
Southwestern Adventist University	5.639	833
Southwestern Baptist Theological Seminary	63.435	6,695
Southwestern University	1,205.477	167,119
Spelman College	300.000	15,922
St. Edwards University	1,085.128	152,014
St. Mary's University	619.978	70,715
St. Philips College	54.001	2,747
Stanford University	21.000	3,104
Stephen F. Austin State University	2,310.375	263,131
Sterling College Kansas	55.000	8,129
Tarleton State University	1,349.037	152,683
Tarrant County College Ft. Worth (NW)	114.593	6,366
Tarrant County College NE Hurst	267.447	19,156
Tarrant County College SE Campus	74.945	2,448
Tarrant County College South Campus	50.073	1,357
Tarrant County College Trinity River Campus	61.451	5,406
Temple College	78.876	4,878
Temple University (includes Beasley School of	29.880	4,416
Texarkana College	24.992	3,731
Texas A&M International University	167.365	21,609
Texas A&M University Central Texas	63.929	7,069
Texas A&M University College Station	44,268.220	5,783,344

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	Units Paid	Total Payments
Texas A&M University Commerce	542.259	56,019
Texas A&M University Corpus Christi	1,783.709	225,590
Texas A&M University Galveston	1,439.475	192,436
Texas A&M University Kingsville	700.774	78,642
Texas A&M University San Antonio	282.217	25,394
Texas A&M University Texarkana	23.140	3,454
Texas Christian University	1,794.086	240,508
Texas Lutheran University	620.074	76,302
Texas State Technical College - Fort Bend	40.951	1,061
Texas State Technical College Harlingen	10.346	1,103
Texas State Technical College Waco	221.372	27,146
Texas State University San Marcos	10,977.114	1,369,868
Texas Tech University	15,891.318	2,007,346
Texas Tech University Health Sciences Center	1,055.983	122,913
Texas Wesleyan University	43.667	6,454
Texas Woman's University	900.415	125,703
The American University in Cairo	59.932	8,858
The George Washington University Law School	32.007	4,731
The New School	38.098	5,631
Trinity University	773.716	110,129
Tulane University	502.692	65,709
Tyler Junior College	259.300	19,495
University Extension UT Austin	38.228	5,363
University of Alabama	495.820	63,627
University of Alaska Anchorage	128.727	19,026
University of Arizona	103.678	12,241
University of Arkansas at Fayetteville	3,136.160	392,928
University of Arkansas at Monticello	7.512	793
University of California Berkeley	227.000	29,325
University of California Los Angeles	209.000	30,890
University of California San Diego	225.101	33,270
University of California Santa Barbara	65.157	9,630
University of Central Arkansas	83.970	12,623
University of Central Oklahoma	50.000	5,277
University of Chicago	76.000	8,021
University of Colorado at Boulder	174.373	25,060
University of Colorado at Colorado Springs	2.542	376
University of Dallas	457.245	65,468
University of Georgia	84.391	12,473
University of Hawaii at Manoa	137.409	17,987
University of Houston	8,838.090	1,139,675
University of Houston Clear Lake	244.186	30,922
University of Houston Downtown	491.018	60,923
University of Houston Victoria	159.600	18,560
University of Illinois at Urbana	228.919	33,834
University of Kansas	165.609	18,763
University of Louisiana at Lafayette	75.683	11,186
University of Mary Hardin-Baylor	559.311	64,254

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
University of Maryland Baltimore County	150.000	15,831
University of Maryland College Park	124.800	18,446
University of Mississippi	558.192	73,096
University of Missouri Columbia Campus	114.080	16,861
University of Nevada Las Vegas	113.901	12,021
University of New Mexico	30.127	4,453
University of North Carolina School of the Ar	98.730	14,592
University of North Dakota	47.391	7,005
University of North Texas	8,900.647	1,068,502
University of North Texas Health Science Cent	23.525	3,477
University of Notre Dame	50.000	5,277
University of Oklahoma	1,994.738	276,802
University of Oklahoma Health Science Center	110.243	11,635
University of Pennsylvania	573.433	84,753
University of Phoenix	36.836	4,940
University of Pittsburgh, Pittsburgh Campus	200.000	21,108
University of Redlands	100.000	14,780
University of Rochester	187.733	27,747
University of South Carolina Columbia	19.986	2,954
University of South Florida	4.148	438
University of Southern California	362.355	53,556
University of St. Thomas	342.390	47,426
University of Tampa	528.468	53,916
University of Tennessee	74.408	10,998
University of Texas at Arlington	4,027.446	425,656
University of Texas at Austin	39,494.516	5,520,861
University of Texas at Austin McCombs School	161.667	21,424
University of Texas at Dallas	12,272.640	1,655,650
University of Texas at El Paso	315.072	41,934
University of Texas at San Antonio	5,721.393	704,467
University of Texas at Tyler	1,053.811	134,869
University of Texas Health Science San Antoni	121.439	14,274
University of Texas Medical Branch at Galvest	238.203	27,215
University of Texas of the Permian Basin	81.853	4,658
University of Texas Rio Grande Valley	934.595	105,352
University of the Incarnate Word	912.463	109,170
University of the Ozarks	38.120	1,023
University of the South Sewanee	35.000	5,173
University of Virginia	100.000	14,780
University of Washington	351.435	46,307
Vanderbilt University	100.000	14,780
Vernon College	90.449	9,954
Victoria College	12.893	1,925
Virginia Polytechnic Institute and State Univ	127.604	17,000
Visible School - Music and Worships Arts	25.000	3,695
Washington State University	57.162	8,449
Wayland Baptist University	13.265	1,400
Weatherford College	61.005	7,236

TEXAS TUITION PROMISE FUND
Tuition and Schoolwide Fee Payments – Appendix B
For year ending August 31, 2020

	<u>Units Paid</u>	<u>Total Payments</u>
Wellesley College	189.621	28,026
West Texas A&M University	411.241	50,130
West Virginia University	80.000	8,443
Western Texas College	51.165	7,072
Western Wyoming Community College	14.051	1,483
Wharton County Junior College	261.885	30,071
Wichita State University	28.076	4,150
Xavier University of Louisiana	84.660	12,513
Grand Total	231,904.359	29,656,722

2020

FUND INVESTMENT INFORMATION



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Texas Guaranteed Tuition Plan Fund Investment Information

Market Value of Fund
Year Ending August 31, 2020
(Amounts in millions)

Total Fund	\$295
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Fiscal Year 2020
Time Weighted
Gross Fund Return

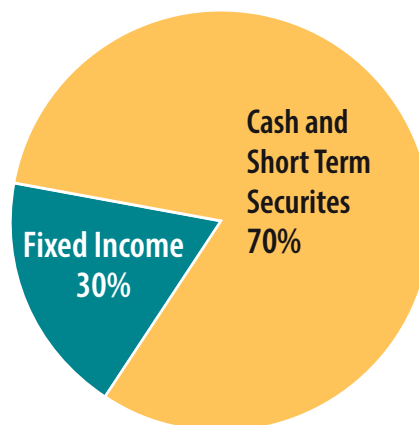
Total Fund	1.9%
Total Fund Benchmark	0%

	Fiscal Year 2019	Fiscal Year 2020
Gross Return – Total Fund	3.2%	1.9%
Gross Return – Equity	1.5%	0%
Gross Return – Fixed Income	5.5%	4.1%
Gross Return – Cash and Short-term	2.4%	.6%

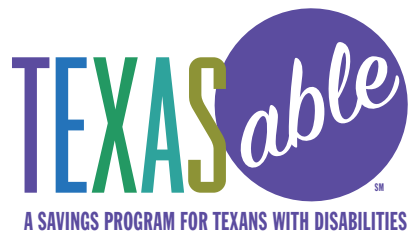
Portfolio Diversification	Market Value of Fund Year Ending August 31, 2019 (Amounts in millions)		Market Value of Fund Year Ending August 31, 2020 (Amounts in millions)	
Equity	\$15	3%	\$0	0%
Fixed Income	\$83	18%	\$88	30%
Cash and Short-term Securities	\$370	79%	\$207	70%
Other Investments	\$0	0%	\$0	0%
TOTAL, ALL INVESTMENTS	\$468	100%	\$295	100%

Note: GASB Statement No. 31 requires investments to be reported at fair value, therefore, Market and Book values are the same.

Investment Asset Allocation, August 31, 2020



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Publication #96-481 • Revised January 2021

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Texas Tomorrow Funds

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